# EMPLOYMENT AND THE AMERICAN AUTOMOBILE INDUSTRY, 1982

## HEARINGS

BEFORE THE

## SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

OF THE

## COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

EXAMINATION OF THE AUTOMOTIVE INDUSTRY'S PROBLEM OF UNEMPLOYED WORKERS AND WHAT ALTERNATIVE MEASURES MIGHT BE ADOPTED TO IMPROVE OVERALL EMPLOYMENT

JANUARY 11 AND 12, 1982

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# EMPLOYMENT AND THE AMERICAN AUTOMOBILE INDUSTRY, 1982

MONDAY, JANUARY 11, 1982

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:28 a.m., in room 4232, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senators Quayle and Riegle.

## OPENING STATEMENT OF SENATOR QUAYLE

Senator QUAYLE. We will call the committee to order.

This is the first of 2 days of hearings by the Subcommittee on Employment and Productivity on the autoworkers and unemployment

Today is a historic time as we observe the auto industry and the UAW renegotiate a contract where apparent concessions on both sides are inevitable to achieve a more productive auto industry.

Hopefully, we are witnessing a beginning of consensus orientation with business and labor in the auto industry which will transcend that industry and be a permanent fixture in our American political and economic society.

In the past, Government, business, and labor have been adversaries. This adversarial relationship has not necessarily been conducive to setting the proper environment for economic growth and productivity for the remainder of this century.

Today, there are approximately 250,000 autoworkers that are out of a job. The prospects for many of these autoworkers returning to their old jobs even in a boom economy are doubtful. Therefore, it is incumbent on us in government and those in business and labor to come forth with proposals and ideas on what we are going to do and what opportunities those individuals will have in the future.

The Government's priority in the past has been one of income maintenance. In fiscal year 1981, $2.7 billion was spent on income maintenance while only $10 million was spent on retraining under the Trade Readjustment Act. This emphasis of government only being concerned about income maintenance and having a negligible interest on retraining must be corrected. Our attention cannot be consumed with only stipends. We must begin to focus on the future, and that means retraining.

Let me state categorically that there is no substitute for economic growth and the generation of jobs in the private sector.

In the three Midwestern States of Indiana, Michigan and Ohio, over 150,000 jobs have been lost in the auto industry; 17 plants have been closed. Billions of dollars in sales and tax revenues have been lost to the local communities where these closings have taken place. The impact in the Midwest has been brutal, and the impact throughout the economy and throughout every section of the country has been severe.

We want to gather information on the seriousness of the industry's problem to find out how many of the unemployed workers have no realistic prospect of returning to their old jobs and, if so, what alternative opportunities for retraining can be provided.

I am pleased that Indiana's Lieutenant Governor, John Mutz, and Mayor Thomas McMahan of Anderson, Ind., have taken the time to come and testify here and give us the benefit of their knowledge and experience. We also have many other valuable witnesses.

It is not news to the State that the auto industry occupies a unique place in our economy. We are told that 1 job out of every 12 in the country is automobile-related in one way or another. The industry, even with its low sales in 1980, accounted for 8 percent of the GNP, 25 percent of all retail sales, and significant portions of the steel, glass, rubber, and machine tools produced by the Nation.

The size of the industry is matched by the scope of its problems: a decline in sales of 30 percent from the peak year of 1978 to 1981; losses of over $4 billion in 1980; unemployment rates in the industry are approaching 30 percent of the normal work force.

What is happening to the workers who have lost their jobs in the auto industry? We know that many are eligible for the industry's SUB program, as well as for trade readjustment benefits. These programs provide much-needed income, but there is a serious question as to what benefit they provide toward returning to the work force. The General Accounting Office has reported that fully a third of all workers drawing TRA benefits never returned to their old jobs.

I am anxious to hear the many fine witnesses we have assembled here today and tomorrow, and the time for discussion has begun.

Our first witness today, not bearing the Hoosier hospitality of bringing that tundra with him, is the Lieutenant Governor of Indiana John Mutz.

Before you start, Lieutenant Governor, it is my pleasure to welcome you here to Washington and to listen to your valued testimony. I have worked with you in the past on matters of mutual concern in Indiana, and we are certainly glad to have you and appreciate you taking the time to come out and visit us and tell us what is going on in Indiana and give us the benefit of some ideas that you have generated in the past, and I am sure that you will continue to generate many more in the future.

So, with that, welcome to the subcommittee, and you can proceed at your own pace.

## STATEMENT OF HON. JOHN M. MUTZ, LIEUTENANT GOVERNOR, STATE OF INDIANA

Mr. MUTZ. Senator, thank you very much, and we have a prepared statement which is probably too lengthy for consideration at this point. We hope it can become part of your record and I would like to make a few comments that are contained within the statement.

I come here today not only as a representative of Governor Orr and the State government in Indiana, but also as the chief officer in Indiana who is responsible for the economic development programs that our State has available, and it is from that perspective that I speak.

Since the purpose of these hearings is to take a careful look at the impact of auto-related unemployment on the State of Indiana, I think it is very clear that if we were to draw a circle around Indianapolis, Kokomo, Anderson, New Castle, Marion, and Muncie, we would have then encompassed what has to be described today as an area in which a definite depression has occurred.

Now, this is, of course, indicative of the fact that Indiana is impacted by auto-related employment more than any other State in the Union, with the exception of Michigan to the north.

I think I can tell you that among the people in the auto industry, there is discouragement, but they have not given up hope as far as the future is concerned. We believe that the problems in this industry are complex, and yet we think they can be traced, first of all, to the success of the Japanese in marketing their products in this country. Some 22 percent of the cars sold in the United States last year were made in Japan.

Second, the perception of the American buyer of American automobiles is not what it should be. There is a perception on the part of many that our products are not as good as they should be.

Third, we have involved ourselves in a situation now in which the cost of labor is no longer competitive in the international marketplace.

Now, the result of these realities has shown itself in substantial unemployment in Indiana. Our rate, some 11.4 percent in November, is three points higher than the U.S. average. But what is more important are the unemployment rates that we are experiencing in the communities I just mentioned: Muncie at 14.7 percent; Anderson at 14.5 percent; Kokomo at 13.9 percent. I think Mayor McMahan, who will appear later on this program, will give you a clear indication of what this situation means to his community.

But, you know, beyond these particular statistics are the stories of real human beings whose lives are being affected by the unemployment that is taking place. It was not too long ago that I had a chance to talk with an unemployed autoworker from one of these communities. He had been on food stamps and had been unemployed for a number of months, and virtually felt that his possibilities of further employment in the industry, if ever, were a long time off.

So, he made the decision, so that he could do something useful, as he put it, and important, to join the Armed Forces in the United States. It seems to me that this is indicative of an attitude on the

part of the people in the industry that they want to do something useful.

I would suggest to you that in his remarks to me he said, "You know, I think President Reagan is on the right track." Coming from somebody who had felt the really bitter taste of unemployment, I thought this was a very interesting indication on his part that all of us in this society must have patience for the Reagan program of economic recovery to truly work.

Well, employment in Indiana has actually shrunk during the last 3 years in directly related automobile jobs from 135,000 to 98,000. That is a direct loss of 28 percent of individual livelihoods, and it is very difficult to estimate at this point what the possibilities are for those jobs to be regained in the Indiana economy.

Most of us who have studied the situation doubt if more than half of those jobs ever will come back into reality again. At the same time, Indiana prides itself on having a very sound unemployment compensation system. We are one of the few States in the Midwest that has never borrowed from the Federal Government in order to fulfill our obligations to the unemployed.

Yet, this year many of our industries are being forced to pay a higher rate because we have reached that point in which the balance in the fund has triggered an increase to a minimum of 2.7 percent. This has happened on occasion a couple of times before, but it is indicative of the seriousness of automobile-related unemployment in our State.

Well, I suppose the question that everyone is asking is what, in fact, is the future of the automobile industry, and is there a future? I would suggest to you that that future, in my opinion, is one which could be signified by being lean and yet strong as far as the future is concerned, utilizing new technologies, new labor-management relationships, and a whole variety of creative ideas to bring that industry back into a position of strength in the marketplace.

It seems pretty clear, however, that jobs will continue to be lost, and I would like today to discuss with you four specific suggestions that I hope the committee will consider as it evaluates its proposed action in the months ahead.

First, Congress should take a careful look at getting a vocational education and retraining block grant moving in the Congress. It is our opinion that States are better prepared to properly match up the needs of local individuals with the vocational training programs that are currently in existence, and with the needs of individuals within the States.

If we had a block grant for vocational training and retraining, here are some of the things we would do with it. First of all, we would pool the moneys with existing revenues in the State of Indiana in order to provide the most education and training that we possibly could. This would include a combination of student loans as well as actual grants to those who are adversely affected by unemployment.

We would like to experiment with a voucher system for unemployed autoworkers, in which they could use this voucher to obtain retraining at any number of a group of retraining and vocational training institutional structures already in existence in the State of Indiana.

Also in the area of the block grant situation, we are doing everything we can in Indiana to encourage local communities in the entitlement cities and, through our department, in the nonentitlement cities to use community development block grant money, which amounts in the nonentitlement cities to almost $31 million and in the entitlement cities to more than $40 million, for specific economic development programs.

We envision the development of our own State version of the UDAG program. We envision the use of these moneys to leverage private capital in a variety of ways, thus preparing for the time in which those programs may not be a part of Federal programs in the future.

So, the first thing is to get block grants moving in this particular area of concern, particularly in the area of vocational training and retraining.

Second, we would like to be in a position to do all we can to help those families who are having difficulty keeping their heads above water at the present time. Not too long ago—I would say last week, actually—a man called my office. He had spent 10 years at the Chrysler plant at Kokomo, Ind. He had been laid off four times in 3 years, and he said, "I do not think I am ever going to have a chance to go back."

A year ago, he and a couple of friends began a 2-year, electronic-training program in engineering at the IU-Kokomo campus. He was able to make ends meet during this time period by a combination of unemployment checks, which helped buy the groceries for his family and his living expenses, and a grant which paid for the schooling that he was undergoing.

He said his problem is going to take place in April when the unemployment benefits run out. Of course, the question is how will he keep his family going and still be able to complete this badly needed training which he needs to readjust to a changing society?

His suggestion, and I would like to pass it on to you because this is one of these people that is actually out there feeling the pinch that we are talking about, is for Congress to fund the Trade Adjustment Act and allow payments for schooling and family necessities as long as the recipient is attending a qualified college or vocational school.

He suggests there should be a time limit, and he recognizes that the governmental structure has to work out the details of a program like that.

The third suggestion I would like to make is that we need to take a careful look at the future of the relationship between labor and management in our society. The word "confrontation" needs to be stricken from that kind of a relationship.

In Indiana, Governor Orr and I recently have appointed a State commission on labor-management relationships. Dallas Sells, the region 5 director of the United Auto Workers, and Dick Demares, the chairman of the State chamber of commerce, have agreed to chair this particular commission. Eleven individuals from business and 11 from labor, all individuals with substantial leverage in the communities in which they operate, will be part of this particular program.

We know that labor and management must find ways to work together in a constructive way for economic development and for a competitive position in the marketplace.

Not too many months ago, I was involved in a situation in Noblesville, Ind., when some 800 jobs were threatened by the possibility that Firestone Tire and Rubber would close up its plant there. We were successful in getting the United Auto Workers and management of Firestone together in terms of a new contract. Now, this new contract called for $1.70 an hour less for those employees, and that is a very tough pill to swallow in the kind of economy in which we operate.

But the facts were that the contract also included in it some options for growth in the future based on productivity and profitability of that plant, and I think that is the kind of labor-management relationship in which the employees themselves are part of the process and feel like they have a vested interest in the success of the business they work for, and it is that kind of relationship that we hope to nurture and encourage through this labor-management committee.

I want to mention to you a remarkable experiment in Indianapolis, Ind., called Operation Top Notch. This is a relationship between management and labor in the building trades unions. For 5 years, we have not lost 1 single day's work due to a strike, and two small jurisdictional disputes were settled in a matter of 2 days since Operation Top Notch has been in existence. It is a tribute to what individuals on both the labor and management side can accomplish when they truly want to make the system work.

Now, this labor-management thing is a serious question because we know that 35 percent of the cost of an automobile today is labor, and we know that there are various figures quoted—as much as $8—as being the differential per hour between a Japanese autoworker and an American autoworker.

The point I am making is that each of our plants and each of our industries needs to be considered a profit center in and of itself; that is, the labor relationship and the contract have to be based on the success of that business.

It was not long ago that I was dealing with the problem of the United Auto Worker-organized plant in La Porte, Ind., and we were considering there the fact that that company made money on a national basis, but that plant itself was losing almost $1.5 million a year, and had for 4 years.

It is going to be very tough for that company to justify continuing to operate at that location. Consequently, the products it makes must be competitive in the marketplace, and one of the major components in that situation was, in fact, labor cost. So, this is a reality that has to be part of our consideration.

Finally, fourth: Congress can take positive action in creating incentives for new investment in depressed automobile-related areas. In particular, I would like to call your attention to the possibility of redirecting substantial amounts of those moneys which the Federal Government will allocate for defense expenditures into those areas of the United States in which the auto industry has flourished in the past.

In addition to the 5-percent bid differential which is already contained in law, there are a number of other incentives that might become part of the system, including specific efforts on the part of the Federal Government to aid small contractors in obtaining at least pieces of these defense contracts.

Under this kind of circumstance, we may not be able to solve all of the unemployment problems, but if the Federal Government intends to redirect some of its emphasis toward the defense expenditures, it would seem only proper that a portion of those dollars end up in areas where the auto industry has flourished in the past.

Well, in summary I guess what I have suggested here are four or five suggestions which are things which I think can help us do this particular job. The auto in the United States has given us an unparalleled amount of personal freedom as individuals, and now that industry and the people who have created it are fighting back to make sure that it can continue to be a viable part of the economy of the United States.

We should not forget the important part that Government, or over-Government regulation has played in the problems of the auto industry, and we should not forget the important considerations that the incentives for investment in the economic recovery program can make to the future of the auto industry.

But we also have to recognize that ultimately people must perceive that our products are the best products they can buy in the marketplace. About 9 months ago, I had a chance to visit Japan and I was there on behalf of industry in Indiana seeking markets for specific businesses in our State and also reverse investment on the part of Japanese businessmen.

During that time, I had a chance to visit a number of auto-related and auto companies in Japan, and it happened that I arrived there on the day that Secretary Brock had left, having renegotiated an agreement for voluntary constraints on the export of Japanese automobiles to the United States. So, of course, I was eager to ask this executive what he thought of the action that his government had taken.

He said, "I am really not so worried about that particular action at this point as I am about the General Motors J Car." He said, "We have looked at that car. In fact, the minute we could get our hands on one, we flew it to Japan and took it apart piece by piece and bolt by bolt, and we determined that it is an engineering masterpiece."

He said, "There is only one thing further that has to happen. We, through market research"—and he said, "We do the same kind of market research that your companies do in the U.S. market"—"we know that there is a problem in the perception that people have of that automobile. If you can solve that problem, it will not be long until the U.S.-manufactured cars will regain a more dominant position as far as the economic mix in the automobile industry."

So, I think that says it very well. There is a whole variety of things that have to happen for us to succeed, but ultimately it involves all of those components in the industry—labor, management, and Government—making a commitment to keep a strong, viable automobile industry in the United States.

Thank you, Senator.

Senator QUAYLE. Thank you very much, Lieutenant Governor Mutz. Let me just briefly go down your four points, which I think are very thoughtful, and I would like to explore each of them a little bit further.

On your first point on vocational education and training going into a block grant, would it be advisable, if we would move in that direction, to take perhaps voc ed which is now in the Department of Education and training programs which now exist in the Department of Labor, and move them to one agency or a new agency, or put them together rather than keeping them separate like that?

As you well know, being in State government, that with one in labor and one in education, it is very difficult to deal with, and particularly more difficult to put into a viable block grant; it would be much more difficult.

What would be your comments on that from a State perspective?

Mr. MUTZ. My comment would be that those two sources of funds ought to be pooled and made available to one umbrella recipient in Indiana, for example, who can then administer and put those funds to use in a group of creative programs that specifically meet our needs.

I agree with your assessment of having them in several different Government agencies. The decision as to which agency ought to handle it is something that you and the Congress are better equipped to decide, certainly, than I am, but they ought to be in one place.

Senator QUAYLE. We have had some other hearings on this subject, and that seems to be a theme that has run through those hearings. There has got to be some consolidation. As a matter of fact, Senator Stafford and myself have had joint hearings on trying to combine vocational education and training.

In the second example, you used, I believe, a gentleman from Kokomo who was in the process of receiving retraining and he wanted to have these benefits go on for a certain period of time, as long as he was receiving education and training requirements.

Do you think it would be advisable to have this as, say, a prerequisite or something of that nature to receiving initial benefits, that one is going to have to go on to receive additional training or new training rather than just hoping to be recalled for their job?

Mr. MUTZ. Yes; I think that is a good idea. However, I think that there is a step that has to be taken before you do that, and that is we have to find a way to, in a meaningful way, assess the individual himself or herself in this situation.

Part of the problem we have in government programs, both State and Federal, is that we tend to take the individual and try to mold them so that they fit in programs that already exist rather than truly assessing the individual and trying then to decide what they need. So, there is an assessment process that needs to take place.

Then I think we ought to be buying the service that that individual needs from whichever training program best meets their needs. Of course, what happens in that situation is that those who do the best job flourish, and those that do not die out.

So, I agree with your premise that one of the prerequisites, or at least one of the strings you might attach to such a program is the

willingness and the desirability of that particular individual to enter into a retraining program.

Senator QUAYLE. To add onto that, would it not be a proper responsibility and function of government to have more of an emphasis on retraining programs rather than just being in the role of stipends and income maintenance?

I am not talking about doing away with any benefits, but I am talking about an emphasis. The example I pointed out in my opening statement was the over $2 billion that we spend just on benefits under trade adjustment, yet only $10 million on retraining.

Mr. MUTZ. I think that is the point of this gentleman I just described. There is a person who has drive, enthusiasm; he wants to stay in Indiana. The economic realities are militating against his doing that because he has to have some additional training if he is to have a job. That is very clear.

Senator QUAYLE. On your third point of your labor-management board, which has obviously met with some success in Indiana—and I am familiar with some of the results—do you see a role for the Federal Government in labor-management?

Mr. MUTZ. I really do not at this point, Senator, although there may be a creative way in which the Federal Government might assist. I guess where I have come out on this whole situation is that we are dealing here with two essentially private sector institutions—the business and the labor organization that is involved. And it would seem to me that if the goodwill that we are trying to create through an atmosphere really exists there, the kind of results we want will take place.

I have indicated on a number of occasions that I am encouraged by what is happening, when the head of the United Rubber Workers, for example, in Akron, Ohio will go to the head of personnel relations for Firestone and say, "You know, this local situation in Noblesville is intolerable; we have got to save those jobs." Within 2 weeks' time, they came down with an agreement and got it supported and approved, and they had spent months before that time.

So, it is a matter of creating the kind of atmosphere in which intelligent people who trust each other—and I think that is probably what the key is—the people sitting across the table have got to develop a level of trust that contributes to agreement and compromise.

At this moment, I do not see a role for government in a specific situation, except to create an atmosphere where this kind of thing can occur.

Senator QUAYLE. Create an atmosphere not only by public statements, but by trying to reduce the historic, traditional role of being adversarial. Hopefully, we are beginning to enter a new era, because if we are going to achieve the productivity that you and I and everyone else favors, I believe that is one of the elements that has to be present.

Mr. MUTZ. Yes. I think the other side of this is that in addition to saving jobs, one of the things that a labor-management dialog can develop is a series of programs that are designed to increase the productivity of the given plant or the given business involved. This involves the mutual understanding and consideration of all the various programs, including quality circles and a whole variety

of things that allow the worker to become an integral part of the process and feel as if he or she is truly important, not just a mechanical cog in a very, very big wheel.

Senator QUAYLE. Your final point was to redirect some of the defense expenditures to these areas. Is there any other way that we could do that other than have percentages or set-asides that would go to areas of high unemployment?

Mr. MUTZ. Well, of course, in Indiana our approach has been to employ some individuals who are former employees of the Department of Defense and who know the people in the purchasing business, and so forth, and to utilize their expertise and contacts to find the kinds of contracts that match up with the capabilities of Indiana firms.

But one of the problems we have is that in Indiana, for example, to my knowledge, there is not a purchasing depot for the Defense Department. The closest one, as I understand it, is in Columbus, Ohio. It certainly would be helpful as far as Indiana is concerned if there was, in fact, a purchasing depot of the Defense Department in Indiana. After all, it is, as I indicated, being impacted to the second greatest extent of any of the States of the 50.

Senator QUAYLE. Thank you very much, Governor Mutz.

Mr. MUTZ. Thank you; it is a pleasure to be here.

Senator QUAYLE. It is good to see you again.

[The prepared statement of Mr. Mutz follows:]

LT. GOVERNOR JOHN MUTZ

INDIANA

TESTIMONY TO:

U.S. SENATE SUB-COMMITTEE ON EMPLOYMENT & PRODUCTIVITY

WASHINGTON, D.C.

JANUARY 11, 1982

Senator Quayle and members of the committee, thank you for inviting me to share with you our assessment of the impact of the auto-related recession in Indiana.

The impact is quite severe. If you were to draw a circle around a large area of central, eastern, and northern Indiana where the auto industry is concentrated, you would be identifying a depressed area. I hasten to add that the people who live in these cities -- Indianapolis, Kokomo, Anderson, New Castle, and Muncie -- are discouraged, but they have not given up. Neither have Governor Orr and I. The main concern of our state administration is to create new jobs and save the ones Indiana already has.

The effect of the auto-related recession on Indiana has been the second-worst in the nation. The obvious reason for this economic decline is the slow market for American automobiles and the resulting layoffs in the auto industry. We feel there are three main reasons for this condition: 1). The success of imported cars in the marketplace. Japanese cars now account for 22 percent of all automobiles sold in the U.S. 2). The perception that American cars are inferior. 3) High labor rates which make American cars uncompetitive, and have contributed to a new term, "sticker shock."

All of these factors have, over the past several years, increased the unemployment rates all over Indiana, and particularly in the circle including Indianapolis, Anderson, Kokomo, Muncie, Marion, and New Castle. In November, Indiana's unemployment rate was 11.4 percent, compared to a national rate of 8.4 percent.

The rate for the same month in Muncie was 14.7 percent, in Anderson, 14.5 percent, and in Kokomo, 19.9 percent. All those figures were up from the month before. As Mayor McMahon of Anderson will tell you later, those cities hope that the darkest hour is just before dawn.

Beyond those figures are thousands of human stories, like the young man I met recently who had been laid off his job for several months. He saw no new job in the New Castle area where he lived with his wife and two children. I met him the day before he was to be inducted into the Army. His solution to his own unemployment was to volunteer to serve his country. At least that way he felt he had a secure job, and a way to provide for his family.

Even though the recession is a severe personal trial for him, this young man told me that he still believes President Reagan is following the right course.

If he has this kind of faith, we should, too.

Unfortunately, many others like him have been forced to uproot their families and dramatically alter their lives to find new jobs. Employment in the auto industry in Indiana has shrunk from 135-thousand to 98-thousand in the past three years, a loss of 28 percent of the livelihoods in that particular industry.

Indiana's unemployment compensation tax rates for employers have been forced up because heavy pay-outs took the balance of our unemployment fund down below the figure that automatically triggers the rates upward.

Everyone from Business Week magazine in the January 11 issue to the unemployed auto worker in Anderson is asking the same question...what is the future of the American auto industry?

Obviously, if we could answer that question, we wouldn't need this hearing today, except to put a timetable on our economic recovery.

I think we can make some educated predictions, however. The longterm prospects are for a leaner, but hopefully strong, American auto industry. There is no way that employment will go back up to its peak level of earlier years, mechanization and the need for reduced overhead will take care of that. In fact, the number of jobs is likely to dwindle in the short term. For example, it was estimated last week that a total of 400-thousand jobs will be permanently lost in companies that supply the automakers.

The recession places a heavy burden on the shoulders of government at all levels. I would like to briefly discuss four areas where federal and state action can help do two things -- re-invigorate the auto industry, and provide training for those workers who need new skills in order to become employable.

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Congress should get the block grant program for vocational education and training moving. We favor this approach because we feel the states can do a better job of identifying needs and applying the remedies.

As you know, the attractive feature of block grants is that they are aimed at giving the states more authority over how money for certain programs is spent. This money is labeled "federal money." In reality, federal money comes from the citizens who live in the states. In effect, the states are being given more leeway to spend money that often originates within their borders.

Here are some ways block grants could help ease the present recession:

-- Monies for education and research and development could be pooled and used in cooperation with public and private post-high school education. Most of this education would be in technical training or vocational education.

-- An unemployed auto worker could be given a "voucher" for re-training. The worker could redeem the voucher at any qualified facility. The voucher might be called a "scholarship" for re-training. Asking someone without a job to pay for his or her re-training when they don't have an income should not be allowed to happen.

-- Community development money has primarily been used for housing projects. It could be re-directed to economic development. For example, the money could be put into local versions of Urban Development Action Grants

to leverage local monies and pay for infra-structure improvements. Other projects traditionally supported by community development money could be paid for by expanded tax revenues resulting from the economic development.

Moving from block grants to a specific program -- we've got to do everything we can to help families keep their heads above water while the bread-winner is learning a new skill.

One man called my office last week to tell us his story. He has worked at the Chrysler Corporation in Kokomo for ten years, but he has been laid off four times in the past three years. He and many of his friends are not optimistic about returning to work in the auto industry.

A year ago, he began a two-year electronic engineering technical program at Indiana University-Kokomo. He is supporting himself and his family with his unemployment checks, and paying for school with grants.

He says his problem will come in April when he has used up his eligibility for unemployment payments. He will still have his school grants, but will not have money to keep his family going. He fears that he will have to leave Indiana to find another job to pay for his schooling-- something he and his family do not want to do.

He has a suggestion for the Congress: He would like the funding on the Trade Adjustment Act to be continued...and the payments be enough to pay for schooling and reasonable living expenses as long as the recipient is attending a qualified college or vocational school.

This is a common-sense suggestion that is good for the country and good for the state of Indiana. It is also good for people.

By the way, this young family man also suggested that a limit be placed on how long each individual could draw money for schooling and living expenses, so the government wouldn't be funding perpetual students. But he said Congress could work out the details.

I would like to move into another important area. The federal government, the states, and all of American industry need to re-evaluate labor-management relationships. Ideally, the word "confrontation" would be gradually eliminated from labor-management vocabularies. It would be replaced with the word "dialogue."

In Indiana, Governor Orr and I have appointed a labor-management advisory committee to discuss mutual problems and promote the formation of similar committees in cities and plants across the state. The committee will work with the legislature, will promote programs on the quality of worklife, and collect and disseminate labor success stories.

We already have had some of those success stories. In Noblesville, just north of Indianapolis, a major Firestone plant was saved from closing by the mutual effort of the labor union and plant management. Union members agreed to pay cuts. Nobody likes making less money, but it's better than coping with the loss of a major employer in a small city.

During those negotiations, plant management agreed to special productivity incentives which could raise a worker's take-home pay. The workers will also share in the profit of the plant.

That's one example. It's not unique to Indiana...but it's a sign of the kind of constructive labor-management attitude that the auto industry needs to survive and prosper again.

Another example in another industry is the remarkable Top Notch project in the Indianapolis construction trades industry. For six years, Top Notch has kept harmony on building projects ranging from huge office towers to smaller stores and businesses. During that time, not one day has been lost due to a general strike, and potential problems have been headed off by mutual understanding.

The role of labor-management committees is not to intervene in individual contract situations. It is to set the tone for cooperative action. Several cities in Indiana have such committees, and more are starting them.

Labor-management accommodations are needed in the auto industry because labor rates account for 35 percent of the cost of an automobile, and the American auto worker makes eight dollars an hour more than his Japanese counterpart.

As in the example I just described, management has to give some, too. If plant management is to ask its labor unions to give up some wage gains or fringe benefits, management must offer a carrot in the form of work incentives to encourage on-time, quality production. Workers must know that if they help the plant make money, they will share in the rewards.

Management and workers should be able to see the light at the end of the tunnel. By that, I mean that each negotiation should keep in mind that every plant should make a profit. We will never revitalize American industry until labor and management recognize that each individual plant must be a profit center. Contract agreements should reflect that goal.

A fourth area where Congress can take positive action is in creating incentives for new investment in depressed auto areas.

Some of the best minds and hands in the world want to work in auto manufacturing areas. Congress should allow incentives which encourage defense contracts to be awarded to firms in areas of high unemployment, in addition to the 5 percent bid differential currently in the law. These incentives could include help with re-training the work force to match the skills needed in the contract. The government could also go so far as to provide a program of assistance to major contractors to help them seek out sub-contractors in areas with a labor surplus.

An auto worker who may not be able to return to making cars should not be forced to uproot his family to find new training and a new job somewhere else.

We are a mobile society. The industry that gave each of us unparalleled personal freedom to move if we want, drive into the city to work if we want, or drive into the country for the weekend if we want, is trying to fight back. Government should not run the auto industry. In fact, it should cut away some of the regulatory blanket to allow the auto industry to breathe. The auto industry can again be healthy if it is spurred by a series of creative public and private initiatives. Some of which I have outlined.

To review, they include fast action on block grants for education and re-training...a new understanding between management and labor...and incentives for defense contracts to be awarded in areas of high unemployment. They also include the suggestion from the young man in Kokomo who feels people who are actively seeking to improve their lot in life could benefit from extension of programs to pay for schooling and family necessities.

We also need to do everything we can to encourage new investment in the car-building industry.

As you are aware, steel is a second major industry in Indiana that is reeling under the recession. However, the steel makers have pledged to spend two-billion dollars to upgrade and expand their facilities in northwest Indiana. That investment will help safeguard the jobs now existing in the plant, but will add only about a thousand new jobs.

The point is -- the steel industry will be better off, but in won't be as labor-intensive as it once was.

The same thing is happening in the auto industry. It needs news capital just as an emergency room patient needs a blood transfusion.

The industry needs to be stronger, at the same time as we are helping thousands of workers adjust to the hard fact that they will have to change jobs by learning new skills.

The logical question is: should the auto industry survive? The obvious answer is: yes. But let me close with a story of hope.

A little less than a year ago, I was visiting a Japanese auto plant during a trip to Japan to promote Indiana products. It was just after the Reagan administration had worked out an agreement under which the Japanese would voluntarily set a ceiling on the number of cars they would sell in the U.S.

I asked an executive of the Japanese company what he thought about the export trade limit. He said he was not as concerned with the limitation as he was with the new J-car, put out by General Motors.

His company had purchased two of the cars as soon as they were available and shipped them to Japan. The J-cars were dismantled, scrutinized and analyzed.

The executive called the J-car "an engineering masterpiece." He told me: "The question remains, is it a quality product? If you can solve that problem, there is little doubt that American cars will regain their share of the marketplace."

I think he summarized the challenge to the American auto industry very well. As I said at the beginning, there is a perception that American cars are inferior. It is a myth. The auto companies and unions in America say they have a new commitment to quality...and I think they do.

There are thousands of people in the auto industry who do good work. The products are good, and new investment will lead to even better products.

When the people know that, the auto industry will rebound.

Thank you.

Senator QUAYLE. Mr. Lee Price, who will be representing Sheldon Friedman of the UAW, and Gene Casraiss is going to be with him, who is their legislative representative.

Welcome, gentlemen. Mr. Price, do you want to proceed at your pleasure?

**STATEMENT OF LEE PRICE, ECONOMIST, RESEARCH DEPARTMENT, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, UAW, DETROIT, MICH.; ACCOMPANIED BY EUGENE CASRAISS, LEGISLATIVE REPRESENTATIVE, UAW, WASHINGTON, D.C.**

Mr. PRICE. Mr. Chairman, I appreciate this opportunity to present the UAW's view of the employment situation in the U.S. automotive sector. I am an economist at the UAW Research Department in Detroit, and with me is Eugene Casraiss of our legislative office here in Washington.

Sheldon Friedman, who was scheduled to testify here, has been detained in meetings in Detroit and was unable to come.

I do not think I need to tell the members of this subcommittee that joblessness in the auto industry continues at near record levels and that literally hundreds of auto and auto parts plants stand abandoned. We believe that bold action is needed if the U.S. automobile industry is to survive as we have known it. In fact, without a local content law that mandates significant U.S. automotive investment by both U.S. and foreign-owned companies, we are convinced that we face rapid erosion of employment in the production of automobiles in this country.

According to the analysis of the Department of Transportation's Transportation Study Center, employment in the making of cars and trucks in this country has fallen from 2.8 million in 1978 to 2.2 million in 1981. That was an analysis done before the last few months of a further steep decline in auto industry production and employment.

Those numbers include not only employment at the car companies themselves, but also in the parts and materials companies that supply them in their appropriate share of employment as it supplies the auto industry.

The drop of 600,000 jobs is the result primarily of a steep decline in sales in the country and a sharply rising import share. However, we are concerned that over the next several years, employment could drop still another one-half million by the mid-1980's unless Government takes prompt and effective action.

Even if the market recovers, and all of us hope that the market does recover, employment may well continue to slide on the basis of several factors. One would be a continued increase in the import share of the market, and this time not just in vehicles, but also in the parts that the U.S. companies are thinking about and have made major commitments already to source abroad. When I use the term "sourcing parts abroad," I mean that they either build them themselves in subsidiaries abroad or purchase abroad from other independent companies parts that they then assemble in this country. The plans already announced, and possibly increased over

the next several years, could be a bigger source of imports displacing jobs in the auto production sector in this country than the import of vehicles themselves.

With your permission, Mr. Chairman, I would like to file the rest of our statement and summarize the points that are included in it.

Senator QUAYLE. Your statement in full will be incorporated in the record, and go ahead and summarize it for the committee.

Mr. PRICE. As you have explained in your opening statement, about a quarter of a million workers have fallen off the rolls of employment at just five assembly companies. At least twice that many have been reduced in the companies that supply them. It is unlikely that many of those workers will return.

As I have said, unless a local content law—a law that would both require that the foreign companies that sell a large volume of sales here produce here, and insure that the U.S. companies that are already assembling here continue to do their production here—then we see further erosion of employment.

We do not have much in the way of hard data about the victims of this employment reduction, but we do know, as we live in those communities, that there is tremendous suffering. If I can digress a moment, I took a leave of absence last year and spent a couple of months doing research in Latin America. Many of the circumstances I saw in the poverty and the scraping to get by there, I have seen more and more of in the city of Detroit, and I think this Latin-Americanization of our industrial areas is going to be tremendously painful for all of us who live in the community, whether or not we are employed.

For various reasons, a disproportionate share of the job loss that has been suffered has been borne by minorities. The most important reason is that black workers tend to be employed in the older, inner-city plants—the plants that are most likely to be shut down. We estimate that out of an employment reduction of a quarter million, probably one-third of the employment reduction has been suffered by minorities and about one-fifth by women.

Tens of thousands of workers have not only exhausted their unemployment insurance, but also their TRA benefits, their extended unemployment benefits, and what we have negotiated for ourselves, the supplemental unemployment benefits, and have turned to general welfare systems for their families' maintenance.

The prospects for finding jobs in the areas where the auto industry is concentrated are very poor. The most recent statistics show that employment nationwide has fallen about 2 million over the last one-half year. The unemployment rate in December was 8.9 percent, and it is predicted to go even higher.

The unemployment rate usually continues to rise even after a recession has ended. The best, most optimistic reports I have seen as to when this recession is going to end say it will be the spring. Therefore, we can anticipate that unemployment will rise at least through the summer. With that kind of rise, with an 8.9 percent rate in December already, it is very likely that we will go into the double digits in unemployment—a phenomenon that has been unheard of in the post-war period.

That is a circumstance that should concern this committee, particularly if the committee is concerned about the use and develop-

ment of human skills, because without jobs people are not developing skills. Even if you do train people to get skills, it will make it very difficult for them to find jobs.

One of the most important things that people have found in studying the success of training programs is that the likelihood of getting a job afterward is very critical to the success of any kind of training program, and a context of double-digit unemployment is a very poor prospect for training.

As for the match between specific skills, specific locations and specific jobs in industry and by location, the prospects also do not bode well for many workers. The typical laid-off auto workers is a semi-skilled metal worker. In relative terms, the most skilled of the trades people in the auto industry have not been laid off as heavily, although many of them have been laid off.

Metal workers are employed throughout U.S. manufacturing, but in the steel, aluminum, oilfield equipment, construction machinery, farm implements and aerospace industries, only two of those industries have done relatively well in the last couple of years, and even they have had some difficulties. Those two are concentrated in the Southwest and Northwest—the oil field equipment and the aerospace industries.

The industries that are simultaneously suffering are also in the same geographic regions, so it is difficult for workers to move from one metalworking industry to another with their skills.

We can look specifically at some States and the regional impact. The State of Indiana in October had an unemployment rate of 9.8 percent. We will know tomorrow or the next day what the rate was for Indiana in November, but we do know that, nationally, from October to December, the unemployment rate went up almost 1 percent, from 8 percent to 8.9 percent. We can anticipate that since Indiana is sensitive to what happens in the auto industry, its rate has easily surpassed 10 percent.

Statistics are more readily available and current for the State of Michigan. Unemployment jumped from a little over 12 percent in November to 15.1 percent in December. That is the highest on record for the State of Michigan since statistics started to be collected in 1970.

As recently as June, the unemployment rate in the State of Michigan was 10.6 percent. So, that is a 4.5 percent increase in 6 months. Indiana should have also had a very large increase in its unemployment in the last couple of months, and can be expected to remain high over the next couple of months, given the production plans of the auto companies for this quarter.

The other States that are heavily involved in auto production, such as Ohio and Missouri, are also suffering high and rising unemployment. Again, this is in a context where the entire country is approaching double-digit unemployment, so workers are very reluctant to pick up and move to someplace else where they are not going to have good prospects of finding jobs because jobs are falling there.

So, it seems to us that it is important to revive the economy, and particularly to revive the auto industry, if these people are going to use their skills effectively and to provide income for their families.

It is dangerous in the extreme to sacrifice this industry to misguided policies as the Government has been conducting in the areas of trade, investment, monetary policy and energy policy. Other nations that have more successful industrial policies have nurtured such industries as the auto industry because it is so highly productive. It has productivity improvements and important skills training for a wide variety of different skills and is well linked to many other industries so that when it improves, it brings along other industries with it.

The significance to the U.S. economy of the auto industry goes well beyond the specific people employed directly in the production of automobiles. As I noted, there are at least twice as many workers who work in other industries providing supplies and materials to the auto industry. Beyond that, there are many workers who live in those communities where autos are produced and depend for their jobs on providing services to those workers.

As the auto industry declines and the tax base declines and the market for goods and services in that area declines, a wave of job reductions occur in that community. So, it is not just the auto industry when you count the total job loss employment predicament that comes from the misguided policies affecting the auto industry.

If I could point out a number of policies or changes in policies that the UAW has recommended for improving this situation in the auto industry, one clearly has to do with the Federal Reserve's monetary policies.

The tight money policy that has been pursued by the Federal Reserve in the last couple of years has prevented the growth of money at the rates necessary for reasonable expansion of the economy. In order to prevent the growth of money supply, the Federal Reserve has effectively forced up interest rates, which has forced a recession onto the economy.

Since auto purchases are readily postponable, auto sales go up and down in much greater amplitude than does the entire economy. So, the Federal Reserve policy that has contributed greatly to the recession in this past 6 months has been the biggest factor affecting the sale of automobiles in the last period.

It also has a detrimental effect on our international competitiveness because it has propped up the dollar to a value relative to the yen and the European countries that is not justified, and that makes both the imports much cheaper and any possible exports less competitive from the United States.

Another policy that we have called for is one that would have a scrappage bounty to speed up the retirement of older cars. Besides wasting fuel and dirtying the air, the 23 million cars that are 10 years old or older keep the used car market depressed, cutting into the value of trade-ins and making new cars more difficult to afford.

I turn your attention now to another program that has been changed, but changed for the worst, and that is the worker adjustment assistance program. We agree with you, Senator, that the employment training aspects of that program have been underemphasized in recent years, and that should be corrected. But that does not mean that one raises the relative prominence of the training aspect of it by whacking off wholesale the income maintenance part of it and making only a minor increase in the training part of

that and saying you have changed the priorities, still leaving the training part of it very small and leaving the income support part of it devastated.

We think the income support part of it should be restored and should be extended to other workers, particularly workers in independent parts companies, and that the training program should be improved.

Talking more generally about training issues, we are often asked about what we are doing for ourselves at the UAW to deal with training issues. In fact, the UAW has been a pioneer in the field of manpower development, job development and placement, pre-apprenticeship training, on-the-job training and individual counseling.

We established a job development and training department in 1967. At that time, we had been awarded a National prime contract by the Department of Labor and HEW to deal with the unemployment resulting from technological change and to help make more and better job opportunities available to the undereducated, the unskilled, and particularly to minorities.

Since 1966, the UAW has been granted 10 successive OJT prime contracts by the Labor Department, totaling $17.5 million. With those funds over that period of time, we have trained and placed 14,192 persons. We did better than that; to date, we have placed in excess of 18,300. So, we did better than what we had been contracted to do.

We believe in, providing a service to the Government, to the prime sponsors, corporations and to the unemployed, underemployed and otherwise disadvantaged population that cannot readily be provided by any other agency. Because we are a nonprofit association, our average cost per job placement is difficult, if not impossible to undercut.

In 1980, the International Union of the UAW provided more than $500,000 as a financial in-kind contribution toward implementation of all CETA programs under contract to the UAW. We train people and we place people in good jobs, and we do it cost effectively. The threatened destruction of CETA jeopardizes all of this. Unless there is a prompt reauthorization, our work will stop in September 1982.

In October 1980, we were asked by ETA to modify our current OJT contract to provide counseling services for the unemployed. Crisis centers were established in 10 target cities throughout the country. Through October 1981, these centers have provided assistance to more than 7,000 unemployed individuals. Attachment 4 in my statement provides some indication of the centers' importance to the communities they serve.

You will note in that statement that this was written by the vice president of the Anderson, Ind. area chamber of commerce, and he was very disturbed to learn that that program in Anderson was being cut back because of cutbacks in Federal support to the UAW program. In fact, since that letter was written, that program has been ended.

On November 5, 1981, the UAW received a telephone call from the Department of Labor informing us that our contract would not be renewed and that we should not incur costs after November 30,

1981. We were told that we would have an opportunity to respond to a request for proposal for funding, but that we could not expect to receive a reply for 4 to 5 months. Obviously, this forced us to dismantle most of our programs, lay off 78 trained personnel, and close the 10 crisis centers. The Labor Department tells us that refunding is highly unlikely.

Some have argued that it is costly to help unemployed auto workers and to prop up the domestic industry. However, we believe that with output capacity of nearly 5 million high-mileage, domestic, small cars now available, the cost is not nearly so high as that of not preserving and promoting the auto industry at this time. It is difficult to conceive of the United States remaining an advanced industrial nation without a strong automotive sector.

There have been staggering losses in corporation tax revenues at all levels of government. As recently as 1978, the big three paid $2.5 billion in Federal income taxes alone. By 1980, the losses to those companies made them eligible for $3 billion in credits and refunds, for a total swing of over $5 billion in Federal tax receipts.

In addition, there are estimates now by the Congressional Budget Office that each 1 percent of unemployment costs the Federal Treasury about $25 billion; that is, in terms of lost tax revenue and increased payments to income support. We estimate that the decline in the auto industry has caused at least a 1-percent increase in the unemployment rate and, therefore, a very sizable portion of the increase in the Federal deficit.

The difference between a healthy and a sick auto industry in Government-financed unemployment insurance, welfare, TRA, food stamps, and foregone personal income tax receipts comes to at least $8 billion; that is, just for the auto industry alone. Compared to these public sector losses of over $13 billion per year during 1980 and 1981, not to mention the immeasurable cost in human suffering, the cost of our proposals to revive the industry is small. The cost of continued inaction and further budget cuts is incalculably huge.

Thank you, Senator.

Senator QUAYLE. Thank you very much, Mr. Price. Let me ask a couple of quick questions.

Do you have any statistics on how many of the auto workers that are unemployed now are on welfare, and how many have relocated to other labor markets or regions? Do you have any data on that?

Mr. PRICE. We have only very limited data on the second question. The first question is one that we know is up in the tens of thousands in the State of Michigan, because we know people have been exhausting all other forms of income support and there are not jobs for them. We do not know precisely how many, but we know that there are many former auto workers who have exhausted all other forms of income support.

Therefore, we can assume that, particularly with the increase in welfare rolls in the State, most of those have turned there. But we do not have a specific number on that.

Senator QUAYLE. Do you have any vague percentages?

Mr. PRICE. No.

Senator QUAYLE. If you do not, OK, fine.

Mr. PRICE. No.

Senator QUAYLE. How about those who have relocated in other labor areas or regions?

Mr. PRICE. The only information I have seen on that—and there may be some that I am not aware of—was done by one of the utilities in the Detroit area, trying to study where their bills were sent when someone ended their billing in the Detroit area and moved to another place and asked for their final bill to be forwarded.

In that, they were scattered around the country. A large proportion of those people stayed within the Midwest region. Previous studies of migration, not just of the auto industry but job migration, show that there is wide dispersion from any given area. By the same token, an area which is growing will take people from all over. So, the growth in one area's employment will be coming from a widely dispersed area, and people leaving an area also will be widely dispersed.

You do not see people going in large percentages from Detroit to Houston, but you will find a net increase in Houston because people from Detroit will go to someplace else in Michigan, and someplace else in Michigan people will be going to Houston. So, in the net, places like Houston will be growing and, in the net, places like Detroit will be declining. But it is not a large flow or percentage going from one to the other directly.

Senator QUAYLE. On the unemployed auto worker right now, should our emphasis be that we ought to be gearing toward retraining and toward finding new job opportunities, or should we say that our best path of action would be to hopefully have a more productive auto industry, holding out hope for the return of employment in the auto industry for that unemployed auto worker right now?

What should be our message to the unemployed auto worker right now?

Mr. PRICE. Well, that is two different questions. The message that is coming from Washington today is that it is going to be a long haul and the economy is not going to improve very much for a good period of time. Therefore, the message from Washington is that you cannot expect auto sales to revive very much.

That is not the message that the UAW would like to see. The message should be that we are going to get the economy revived as soon as possible, and that would be the best way to revive auto sales.

I do not think that a Government program has to be exclusively a retraining program or an unemployment program. In fact, as I tried to mention in my oral statement, the best way to have retraining and upgrading of skills and get them used is to have a more fully employed economy. The worst situation in which to retrain people is one in which you have high and rising unemployment.

If we could get the economy moving and revive the economy, that would help auto sales, but it would also help the Federal budget situation and permit greater funds for retraining and provide better opportunities for retrained workers to find jobs to use those skills they have learned.

Senator QUAYLE. In the next 12 months——

Mr. PRICE. Mr. Casraiss would like to add to that.

Senator QUAYLE. OK, fine. Gene?

Mr. CASRAISS. Mr. Chairman, early in 1981 when the House was holding hearings on trade-adjustment assistance, as an example, the arguments at that time were to reduce the benefit levels and bring them in line with unemployment compensation—the arguments on the part of the administration, now—but to do something about sprucing up training, job search, and relocation allowances.

At that time, and on numerous occasions, the administration was testifying to a level of $112 million for training. I am sure you have heard that figure time and time again. Now, when you talk about the message that our people are getting, the end product today is that they see $24 million having been passed by the Appropriations Committee, and that figure, to them, is not the kind of figure that would carry on the kind of real meaningful programs in training, job search, and relocation that would be necessary with the number of workers that are laid off today, especially the type of worker like that Chrysler worker from Kokomo that I believe the Lieutenant Governor was referring to.

Senator QUAYLE. Let me try to rephrase this. Do you believe that our emphasis should be on job search and relocation for the unemployed worker, or should we continue to hold out the hope that things will get better in the auto industry and that he or she may be returning to that job?

I think that is, at least in my opinion, pretty much a fundamental point that we have got to come to. Of these 250,000 that are now unemployed—and, as Mr. Price pointed out, that figure is going to be going up in the next statistics—of that figure, how many do we realistically think are going to return to the auto industry, even in a boom type of situation, if we get it, in later 1982 or 1983?

So, what I am trying to structure here is what is our emphasis, and what should be our message to the unemployed auto worker?

Mr. PRICE. I think the message that the UAW has tried to convey, at least since it set up these crisis centers in the fall of 1980, but one that we have said before is that a large portion of the people who have lost their jobs will never return.

The level of employment that we had in early 1979 will never be reattained, and those are the facts of life. That does not mean that everybody who does not have a job today should give up hope of ever being employed in the auto industry.

We would surely hope that policies will change in Washington and that we can get many of those people back to work. But the facts are that there is no going back to the level of employment we had before, and there are many tens of thousands who will be finding employment elsewhere when they find their next job.

Senator QUAYLE. I agree with that; I really do. The reason we are holding these hearings is to try and focus attention on a very fundamental human problem, and that is these tens of thousands of people that you talk about. You know, what is their future and what should we be doing to develop the skills and the talents necessary to attain the standard of living that they are accustomed to and want to try to achieve on their own accord?

Mr. CASRAISS. Mr. Chairman, you asked a question that seems to pose two tracks to me. One would be the initiative to do something

about the auto industry itself, and that is why Mr. Price recited in his testimony on several occasions the need for content legislation.

The other is retraining, and I think that we should improve on retraining and job search and relocation allowances, especially in the area of trade adjustment assistance, which was specifically designed to help import-impacted workers. I think that we have to be very serious about that and put the kind of funding in that is going to do a meaningful job and give the workers the message that we are going to retrain them.

Now, I think that if the two tracks are run simultaneously, and we can see an upswing in the automotive industry and at the same time the automotive industry, due to technological change, is requiring new skills itself, these workers can be prepared for those skills as well as skills in other industries.

Senator QUAYLE. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

First of all, let me say to you, Mr. Chairman, that I appreciate your initiative in this area. Insofar as I am aware, this is really the first serious look that has been taken here in the Senate by a subcommittee on the unemployment problem generally, and specifically as it relates to auto workers.

So, I appreciate that initiative on your part, and I think it indicates how serious this problem has become—the fact that we are meeting here. I am sure that if the Senate were back in session, you would see a greater number of Senators present because of the urgency of this situation.

I would like to make a couple of comments before asking you some questions about your testimony. First of all, it is clear to me that we really do have a catastrophe on our hands in the automobile industry in this country, and I think this sickness has been spreading through the entire industrial sector. We are seeing it in the steel industry and related, major supplier industries. We have McLouth Steel on death's door, literally, with one foot into bankruptcy proceedings in Michigan, and a host of other companies related to the auto industry that are in desperately serious trouble.

I think the key task we face here is to force this issue, the issue of this massive industrial-based unemployment and the spreading unemployment across the country, onto the radar screen of the Reagan administration.

So far, at least, I have not seen a showing of real concern or a desire to respond to this problem. I must say that the other day in Michigan—and, Mr. Chairman, you may be surprised to know this because I have not seen this published in national news outlets yet—the seasonally unadjusted unemployment rate in Michigan last month was 15.1 percent. We have to go back to the 1930's, to the Depression, to find unemployment at that level, and bear in mind that that does not count those people who have been unemployed so long that they have fallen out of the system. So, they are not even counted as part of that 15.1 percent.

This is absolutely an astronomical degree of unemployment, and it is an economic emergency in the true sense. When I see the machinery of Government cranking in to help in California, which is a disaster caused by the weather—and I support responding to that problem—in Michigan and in Indiana and in the Midwest, in the

auto industry and the basic industries, we have an economic disaster that is a thousand times larger than the one that is taking place today in California with the mud slides.

In Michigan this last month, we had 656,000 people unemployed, and that is just one State—many of them autoworkers. This sickness is so pervasive now with the 8.9-percent unemployment rate across the country that it is beginning to pull down the entire national economy.

This deepening unemployment is beginning to put social security in deeper trouble, and this is something again that I think is not being paid sufficient attention, because when you have over 10 million people in this country out of work and not working or contributing to the social security system, suddenly all of that money that should be coming into the social security trust funds is not coming in. So, we have a bona fide emergency situation on our hands here.

In your testimony you say, as your first recommendation, that something must be done about the high interest rates. I agree. There is absolutely no excuse for the kinds of high interest rates we have in this country today; they are not justified.

Every single day we read in the paper where tens of billions of dollars of available credit are being siphoned off by giant companies trying to gobble up each other in merger efforts and consolidations. That money and additional credit is needed in the auto industry, the housing industry, agriculture, and small business and other credit-starved sectors of the economy. All of these sectors are in desperately serious trouble, but none more so than the auto industry, which is the focus of these hearings today.

I might also say to the chairman, because we serve together on the Budget Committee, some of us there have great concern about the size of the Federal deficit. There has been a serious effort by some of the Members in both parties to do something about bringing down the size of the Federal deficit. But we cannot accomplish that if defense spending is going to just soar absolutely out of sight.

A week ago, it was announced that the administration wants to increase defense spending next year by 15 percent. I do not believe we can afford that. We cannot even spend that much money intelligently, and the diversion of money is unbalancing the economy so severely that it is beginning to contribute to this problem of massive unemployment.

Of course, the deficits then just soar out of control, and so what we are told now is that deficits do not matter; at least that is the latest statement coming out of the administration. I do not agree with that. Deficits do matter. There was a solemn pledge made to bring Federal spending under control and to have some fiscal discipline. Unfortunately, we do not have it, and that, right now, is contributing to this problem.

So, things like the cutbacks in the areas that are designed to help workers—trade adjustment assistance, extended unemployment compensation benefits—these are real things and they are needed. They have a purpose; they have a purpose when you are going through the kind of economic catastrophe in your industrial base that we are seeing today.

I recall in the course of the last campaign when President Reagan was running for President, he came to my hometown of

Flint, Mich. We had tremendous unemployment in Flint at that time and there was a well-reported speech given by the President at that time. He was going to get people back to work.

Well, it is a year later and there are more people unemployed in Flint today than there were then, and we are not seeing hide nor hair of the administration. They have not been back to Flint, and it is time they come. Someone in the administration, I think, ought to come back and take a look at how serious this problem is because it is absolutely of astronomical proportions.

I think it would be important for you to tell this committee what it is really like for unemployed workers who have exhausted their unemployment benefits. There is no hope of them coming back to work any time soon; they cannot make their house payments; they cannot pay their utility bills. They cannot provide for their kids at Christmas time, as so many of them told me, and they cannot make ends meet.

What they are being told today is, "Vote with your feet." In other words, "Take your car, like the people in Oklahoma back in the thirties, and pile your goods in your car and go somewhere else and find a job." That is such a foolish, heartless, senseless notion that it absolutely staggers the imagination that anybody in a position of serious responsibility in this Government could say such a thing, but that is what the unemployed workers are being told.

I think it is important for you to tell the committee what it really means for an unemployed worker who has been out of work for 1, 1½, or 2 years, to go through losing their home and losing hope, because that is what we are talking about here in terms of hundreds of thousands of people.

So, I would appreciate it if you would tell the committee about what you are seeing on a human level, and try to express it as best you can. We ought to have unemployed autoworkers right here who could speak for themselves. I know it is difficult for you to try to speak for them, but I think it is important for you to try to speak for them; I mean, put this in real terms.

Mr. CASRAISS. Senator, the question you asked is not a simple question to answer because it is not easy to talk about the kind of devastation that I know workers in this country are enduring.

I cannot think of a day or a week in the last 6 months that I have not had a phone call or many phone calls. In fact, I have even had calls that would say, "Would you call me back because I cannot afford to pay for this phone call," which I have done, from workers in the UAW all over the country who have spelled out to me in so many forms the problems that they are having.

It is difficult to cite just one given problem, but I think what I have felt in most of these conversations is that workers feel they have been let down. I have had questions such as, "Why were we promised trade adjustment assistance and training and relocation and job search and decent benefits under trade adjustment assistance, only to have them taken away just at the time when we need them most? Was it done back in the 1974 act simply because there were only a few thousand people in the whole country that drew trade adjustment assistance? Then, when it is really hitting us hard, why don't we go to the cancer, which is what is happening to the imports coming into this country, instead of going after the

persons that you promised and made the commitment to, that you would give them a decent trade benefit?"

I do not know how to answer these questions other than to say, "You are right," because at the same time these people are saying that in some States—and Michigan, I believe, is one where they can get welfare, but there are States where you cannot get welfare. You cannot get welfare when you still happen to own a house or a car; you have to practically divest everything you have, and people are doing this.

What is happening as a result of this is that the level of child beating is going up as well as the levels of heart attacks and gout and divorce and alcoholism and drugs and crime. We see it all the time and workers who are unemployed are telling us about these problems when they call. What I am saying to you is that these are the culmination of many, many stories that come through my office, and not only myself, but everyone on the staff in our office gets these types of calls and we do not know how to answer them.

I do not know how to say to someone that we were given a commitment and that commitment was taken away, even though five subsequent administrations have complied with that commitment. Trade adjustment is the one prime thing they speak to.

You know, when I heard that extended benefits were triggered off in the State of Michigan, I did not believe it.

Senator RIEGLE. I know. It is absolutely mind-boggling.

Mr. CASRAISS. In fact, I understand, Senator, that it is now triggered on, but because of your 13-week waiting period, you cannot pay it for 13 weeks.

Senator RIEGLE. Right.

Mr. CASRAISS. Simply because of a technical change in calculating the IUR for extended benefits thousands of unemployed workers will be denied employment benefits for a 13-week period.

Senator RIEGLE. We tried to change that, by the way, with an amendment in the Budget Committee and we were not successful.

But you were going to make an observation?

Mr. PRICE. Yes, several.

I think it would be astounding if you set up any kind of ceiling that a 15.1 percent unemployment rate would not satisfy because if a 15.1 percent State unemployment rate was not high enough, then nobody is ever——

Senator RIEGLE. Exactly.

Mr. PRICE. But that is not the worst of it, in my projection. The 15.1 percent is for the entire State; much of that State is relatively rural. If you look at the specific cities, it would be much higher; it would be into the 20-percent range, and that was for December.

If you look at the production plans for the auto companies in January, February, and March, they are far lower than they were in December. So, we are going to see as the statistics come out—we are already seeing it now on the streets of what has happened to employment—but as the statistics come out for January, February and March, that number is going to be higher.

Senator RIEGLE. And they are seeing that in the soup kitchens in Detroit. We actually have some charitable organizations that run soup kitchen-type operations, and they have since the 1930's. So many people are coming in who are destitute and who desperately

need food and have no place to turn that it is just swamping their capacity. They cannot come up with the money to get hold of enough food to feed the hungry people that are showing up at these charitable food centers in Detroit.

In fact, I talked to a doctor the other day who runs a store-front clinic in Detroit and he told me that the level of hardship is so severe that he is actually having young mothers who have just given birth to children coming in who are so malnourished that their milk is drying up and they are not able to nurse their children. That is how severe the poverty is.

I think it is fine to take some of the cheese that is in the national warehouses and distribute this cheese at Christmas time to people across the country; we ought to use it that way. But that does not answer the problem of the scale of the economic disaster that is settling in on people here, and very particularly in the auto industry.

I think we ought to take this hearing, at an appropriate time, out into the field. I think we ought to go to places like Detroit and Kokomo and areas of Delaware which are hardest hit, because as you say, the workers cannot afford to call you long distance on the telephone. They certainly cannot afford a plane ticket to come down here, and they should not have to.

I think we ought to try to arrange to go out and to take their testimony right in the field. In fact, we ought to do it right in the unemployment offices where people have to stand in line, going out the door and around the block, just to get what those who still collect unemployment get and to be able to sign up for that degree of help.

We need to go out into the field and we need to conduct these hearings where rank-and-file people can tell their own story. I think that is the only way we are going to punch it home and really get this enormous human issue on the radar screen at the White House.

I do not get the sense today from what I hear being said from down the street out of the Reagan administration that there is yet an understanding or a sense of urgency about this massive human suffering and massive problem.

Mr. PRICE. If I could relate to you a couple of anecdotes, too, Senator, my wife and her friends also work in poverty medical clinics in the city of Detroit. A year or a year-and-a-half ago, they never saw a recently employed autoworker in their clinics, and now a growing proportion of their patients are former autoworkers and they have very bad health problems because of what occurs any time you have high unemployment and long durations of unemployment.

Not only does violence to the other people in the family increase, but also the violence to themselves in terms of alcoholism and drug abuse problems. So, that has been increasing substantially among people who were well employed not that long ago.

Another aspect that comes and is a new thing in my experience is that we used to refer to "paper boys," and I assumed that my paper would be delivered by a boy. Well, it is men that are delivering papers nowadays in the early morning in Detroit.

There are soup kitchens, but you also see a different kind of panhandler in Detroit. You can go into a grocery store and somebody will have a can of tuna fish and want you to buy it for them as you go through the line. That kind of experience was something I had never seen in America before, and it has been related to me constantly in the Detroit area in the last year or two.

Senator RIEGLE. Well, we have got a long list of witnesses today and we could go on at length about this. We have got coming up a witness from the Downriver Community Conference which is actually dealing as an intake center with thousands and thousands of unemployed workers. They are really doing an extraordinary job under difficult circumstances and I think they could probably add something to the picture in terms of the human dimension of what is taking place.

I appreciate your testimony today. I pledge to you that, speaking as one Senator, we are going to do everything we can here to try to have our Government and our public policy come to grips with this pervasive economic sickness that is crippling a major part of our industrial base and damaging hundreds of thousands of workers and their families.

We can do better than this in America, in my belief, and we can find the policies that can put people back to work. The idea that it makes more sense to have people unemployed and collecting welfare benefits and unemployment benefits rather than to have them at work just makes no sense at all. This country wants to work; the unemployed workers want to work, and it is time they had a chance to do it.

Senator QUAYLE. Thank you, Senator Riegle, and thank you, Mr. Price and Mr. Casraiss. I can say that all of us in public life share the problems that we have right now. The problems are human problems, and we will work to the utmost of our ability with you and others who are interested in providing for a better quality of life, for opportunity and for jobs, now and in the future.

I appreciate your cooperation and look forward to working with you and others as this committee moves forward in trying to discuss and dissect this very serious problem that confronts America.

Thank you very much.

Mr. CASRAISS. Thank you, Mr. Chairman.

Mr. PRICE. Thank you.

[The prepared statement of Mr. Friedman follows:]

STATEMENT OF
SHELDON FRIEDMAN, RESEARCH DIRECTOR
INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE
AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, UAW
ON
THE EMPLOYMENT CRISIS IN AUTO
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

January 11, 1982

Mr. Chairman, I appreciate this opportunity to present the UAW's view of the employment situation in the U.S. automotive sector. I don't think I need to tell the members of this Subcommittee that joblessness in auto continues at near record levels; that literally hundreds of auto and auto parts plants stand abandoned; and that, in our opinion, the future of the U.S. manufacturing sector is at stake.

Nor need I lay out the details of the legislative initiative at the center of the UAW's "survival plan" for U.S. auto. Without a local content law that mandates significant U.S. automotive investment by U.S.- and foreign-based companies, we envision an industrial catastrophe of unprecedented proportions.

The "auto-related employment base," a term coined by DOT's Transportation Systems Center to capture the full extent of auto-linked manufacturing, totaled some 2,800,000 Americans in 1978. For 1980, the DOT estimate was down to 2,195,000, a loss of 605,000 manufacturing jobs, or fully 3 percent of the national total (see Attachment 1). Economists in our Research Department believe that a sales recovery to 1978 levels could fully offset technological displacement, but unless appropriate steps are taken unconstrained increases in the import share and in Big Three foreign sourcing could easily wipe out an additional 600,000 manufacturing jobs by

1985. Without local content requirements, the 1985 import share could easily rise to 35 percent or more from 25 percent in 1981; it was already up to 31.6 percent in December 1981. Foreign parts sourcing could reduce the domestically-produced content of U.S.-nameplate vehicles to less than 85 percent from about 97 percent in 1981. Each of these impacts would cost the U.S. over 100,000 core auto jobs and 190,000 associated manufacturing jobs. The "auto-related employment base" in 1985 would be just 1,610,000, fully 42.5 percent below its 1978 level.

A seven-year drop of 42.5 percent in the number of jobs provided by the largest manufacturing industry in the American economy would constitute by far the most serious employment dislocation in the nation's history. It is not too late to mandate continued U.S. automotive investment and thus avoid the catastrophe; but it soon could be.

**The Scope of the Dislocation**

In the remainder of my statement, Mr. Chairman, I will discuss what I know of the employment problem in the U.S. auto industry. As my remarks a few moments ago make clear, the situation could well be twice as bad four years from now.

Some 235,000 workers have fallen off the active rolls at the five U.S. auto assembly companies. According to the TSC, another 650,000 manufacturing workers have been cut loose by their employers. It is unlikely that many of these will return, unless a local content law is in place to reduce both import penetration and foreign sourcing.

We don't have much in the way of hard data about these victims. Without an industrial policy, no one bothers to collect information, and as the UAW has testified this problem will get even worse as a result

of BLS budget cuts. For various reasons, a disproportionate share of the job loss is being borne by minorities; the most important reason is that black workers tend to be employed in the older, inner-city plants most subject to shutdown. From Big Three EEO-1 reports, and knowing the locations of the plants that have been closed, we estimate that of the 235,000 core auto jobless, at least 80,000 are minority and 45,000 are women.

Unfortunately, we know relatively little about what has happened to this multitude of unemployed beyond the daily media accounts of personal tragedies. Concentrated in the Midwest, often entrapped by the non-saleability of their homes, hundreds of thousands of the auto-related jobless are without employment prospects or financial support. On October 1, 1981 thousands of these unemployed workers were hit by drastic reduction -- or total loss -- of their trade adjustment assistance benefits. The gutting of worker trade adjustment assistance breaks a solemn compact government made with labor that, as trade liberalization was pursued, workers injured by imports would at least be compensated.

Tens of thousands of other unemployed auto workers have not only exhausted their TRA allowances but their unemployment insurance and Supplemental Unemployment Benefits as well, as a result of the duration of their joblessness, compounded for many by the recently-enacted, heartless slashing of extended unemployment benefits. Changes in the Unemployment Insurance System, far from rising to the challenge of the auto crisis, are making the pain worse. The recent experience of Michigan is instructive in this regard.

Up to 13 weeks of additional UC benefits are provided in high unemployment states under federal law. Unfortunately, the Reagan budget cuts changed the way of defining "high unemployment" by excluding

recipients of Extended Benefits (EB) from the calculation of the Insured Unemployment Rate (IUR). The IUR in Michigan fell below the 5 percent trigger mark for the week of November 7, to 4.93 percent, resulting in the cutoff of extended benefits beginning with the week of November 30. Had the old method been used, Michigan would still be considered a "high unemployment" state, as its Insured Rate would have been about 6 percent.

The suspension of the EB program left about 33,000 unemployed workers without any additional benefits; thousands of other will exhaust their regular state benefits in coming months. Under the law, the EB program cannot be triggered "on" again for a minimum of 13 weeks, even though the IUR rose to 5.06 percent two weeks later, the week of November 21. Unless the law is changed, extended benefits cannot be paid in Michigan until at least March 6.

To top it off, Michigan workers also are being penalized for the state's long stretch of high unemployment. Under federal law, the EB program also can be triggered "on" if the Insured Rate exceeds 4 percent (5 percent after September 1982) and is 120 percent of (i.e., at least 20 percent higher than) the Insured Rate in the comparable periods of the last two years. This alternative trigger allows relatively low unemployment states to trigger on if current unemployment surges ahead of past rates. While Michigan meets the first requirement (4 percent), it does not meet the second because its unemployment problems are not substantially worse now than last year or two years ago.

Of the five states in which extended benefits are still being paid, three meet the 5 percent trigger requirement (Alabama, Alaska, and Puerto Rico) and two (Idaho and Washington) meet the 4 percent and 120 percent requirement. While the difference in Insured Rates between

Michigan and the latter two states is not very great, the difference in Total Unemployment Rates is huge. In the case of Idaho, for example, the Insured Rate was 4.1 percent for the week of November 14, while the Total Unemployment rate reached 6.9 percent. The comparable figures for Michigan were 4.9 percent and 11.8 percent, respectively. The substantially larger gap in total unemployment rates is due to the massive numbers of UC exhaustees in Michigan, who are counted in the total unemployment rate calculation (if they are still seeking work), but not in the IUR calculation.

Prospects for finding satisfactory jobs -- or any jobs at all -- are bad and rapidly getting even worse. Unemployment rates in major auto producing states are in, or rapdily approaching, double-digit figures (see Attachment 3). Nationwide, the unemployment rate jumped from 7 percent in July to 8.4 percent in November -- and has been predicted to go to 9½ percent (by a Joint Economic Committee economist) before the current recession subsides.

**Regional Catastrophe**

As for the match between skills, locations, and jobs in expanding sectors, there is some good news and much bad. First, the typical laid-off auto worker is a semi-skilled metalworker; skilled trades job loss has not been nearly as large, since retooling needs have kept demand strong. Metalworkers are employed throughout U.S. manufacturing, notably in steel, aluminum, oilfield equipment, construction machinery, farm implements, and aerospace. What jumps out from this list is that all but two of these sectors -- oilfield equipment and aerospace -- are in sorry straits. And those two are Southwest- and Northwest-based, presenting a

huge obstacle to Midwestern metalworkers seeking to maintain a role in the goods-producing economy.

For the U.S. as a whole, the auto crisis has resulted in a three-year employment decline in manufacturing. Between September 1978 and September 1981, total civilian employment rose 6.2 percent; but manufacturing jobs declined 0.2 percent, or by 36,000. Incredibly, the loss in Detroit area manufacturing jobs alone was 101,000. Michigan lost 136,000 manufacturing jobs; Ohio lost 126,000. And where could the unemployed turn? Not to construction, where employment fell 35 percent in Detroit, 31 percent in Michigan, and 7 percent in Ohio. Not to transportation and public utilities, nor to nondurable manufacturing. In fact, the only expanding areas in the Midwest economy were in wholesale and retail trade and in services; but even there, modest gains don't come close to the magnitude of the losses in durable manufacturing. Like it or not, laid off auto workers live in a highly auto-dependent region. In Michigan, 52 percent of all manufacturing jobs are tied to domestic car and truck production; in the Detroit area, the figure is an incredible 65 percent.

It is dangerous in the extreme to sacrifice the nation's single most important industry to non-policies in the areas of trade, investment, and monetary and energy policy. Successful economies nurture their productive, well-linkaged industries. Auto is such an industry. Its significance to the U.S. economy goes far beyond its direct and indirect employment contribution. The industry has a long, impressive record of excellent productivity growth. Over the last 20 years, auto workers' productivity has increased at a 3.4 percent annual rate, far outdistancing productivity growth in the entire private economy and in the overall manufacturing sector. These substantial increases in yearly output per

worker came on top of already high levels of absolute productivity and technical knowhow. While it's difficult to obtain hard data for every country, all the evidence we have seen shows that the U.S. automotive industry — when operating at anywhere near full capacity — continues to be among the most productive in the world.

**Other Actions**

Besides enacting a local content law, there are several steps that would provide immediate aid to the beleaguered auto industry and reduce the costs of employment dislocations.

First, something must be done about monetary policy. The health of the auto industry depends on the availability of an adequate supply of credit at reasonable rates of interest. The excessive use of monetary policy to fight inflation has made the auto industry's already bad situation even worse. Equally important, an artificially strong U.S. dollar is making imports cheap and U.S. goods expensive, precisely the opposite of what what would help.

Second, we call for a scrappage bounty to speed up the retirement of the oldest cars. Besides wasting fuel and dirtying the air, the 23 million cars 10 or more years old keep the used car market depressed, which cuts trade-in values and hence makes new cars more difficult to afford.

The 107 million passenger cars now registered in the U.S. include a substantial and growing number of older, low mpg autos. In 1970, the average car was 5.5 years old, and only 30 percent were 7 years old. Today, the average age is 6.7 years, and 45 percent are 7 years or older. These older cars are untouched by public policy. Yet simple arithmetic makes it clear that (at 15,000 miles per year) to match the fuel savings

of replacing an old 12 mpg car with an 18 mpg one, an 18 mpg car would have to be replaced by one that achieves fully 36 mpg! Not even counting air quality and safety gains, it seems fair to say that society would be better off putting some resources into scrapping the oldest vehicles.

Based on current used car prices, it is our estimate that, for each $1 billion in "bounty," the U.S. government could induce some four million Americans to turn in cars for early scrappage. Most of the people who turn in those scrap cars, of course, would not be able to afford a new car. But they would buy a better used car; and as the process worked its way up through the market, sales of new cars ultimately would be stimulated. Not only would the most fuel-thirsty cars be off the road, but a large part of the cost of such a scrappage program could be offset by the value of the steel scrap and other recyclable materials recovered from the cars turned in. Much if not all of the rest could be offset by the savings in unemployment insurance, welfare, and TRA now going to laid-off auto workers and by taxes paid by companies returned to profitability.

Third, Congress should save and improve, rather than scrap, the present worker adjustment assistance program. Greater prominence and more budget resources should be committed to nonpayment aspects: employment services, training, job search, and relocation. According to the Michigan Employment Security Commission, a survey of Chrysler TRA recipients indicated that 78 percent were interested in retraining and 38 percent would be willing to relocate for a job. Unfortunately, the government lacked the funds and the willingness to develop programs to accomplish this.

A number of other actions should be taken on TRA. The trade-monitoring provisions of the current Act should be implemented to

provide an early warning system to sectors of the economy where increased import penetration can be expected. Early certification should be permitted before a plant closed. Furthermore, health, life, and pension benefit protection should also be available to provide the laid off workers' families with basic economic security. Most important, TRA should be extended to workers in supplier industries. In virtually all cases in which import injury was found for the finished product, suppliers and component part manufacturers were denied relief because the product of their company, a part, does not directly compete with the imported finished product.

Even if all of these steps were taken, however, there would continue to be a need to reemploy the tens of thousands of former auto workers who will never return to their old jobs even under the most optimistic of assumptions. Let me turn to that subject.

**Retraining — From Not Enough to None?**

Clearly, retraining and relocation resources are needed on a heretofore unheard of scale, at the very historical moment that the government is slashing CETA, EDA, and most DOL programs. State governments are unable to pick up the slack. Auto-dependent cities hover on the brink of fiscal collapse. Private industry, seldom ever more than an intermediary for government-financed training programs, is cutting back its spending, perhaps holding out for "enterprise zones" and other devices to shift costs back to the Treasury.

What about our own efforts?

The UAW has been a pioneer in the field of manpower development, job development, and placement, pre-apprenticeship training, on-the-job training, and individual counseling. We established our Job Development and Training Department (JDT) in 1967 after being awarded

a National Prime Contract by the U.S. Departments of Labor and HEW in 1966, to deal with unemployment resulting from technological change and to help make more and better job opportunities available to the under-educated, the unskilled, and minorities.

Since 1966, the UAW has been granted ten successive OJT Prime Contracts with the Labor Department, totaling $17.5 million, to train and place 14,192 individuals. We did better than that. To date, we have placed in excess of 18,300 individuals.

In addition, since 1968, the UAW's JDT Department has been awarded seven contracts totaling $4.8 million to conduct pre-apprenticeship programs for potential apprentices in the metalworking industry. To date, more than 15,300 disadvantaged individuals have successfully completed ten weeks of pre-apprenticeship classroom training. The contracts called for the "indenture" of 3,442 persons in apprenticeships. So far, the number stands at 3,277, including 191 women and 1,184 minority males.

We have operated training and job placement centers in more than thirty communities; each center has chalked up an enviable job placement and retention record.

Under CETA, our JDT Department began to involve itself with local Prime Sponsors across the United States. Because we were listed in the Occupational Outlook Handbook for References, because of our record of performance under the now-defunct Manpower Development and Training Act, and because we have a working relationship with the metalworking industry -- automobile and automobile suppliers, agricultural implements, and aerospace -- many local Prime Sponsors have sought and are seeking Requests for Proposal (RFP) from us. We have responded to these RFP's positively, and are continuing to do so. The UAW is currently implementing

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eighteen CETA contracts for Prime Sponsors at different levels of government throughout the United States. Simultaneously, we are implementing two National Prime Contracts (OJT and Project Outreach) with the Employment and Training Administration (ETA).

We believe we are providing a service to government, the Prime Sponsors, corporations, and to the unemployed, under-employed, and otherwise disadvantaged population that cannot readily be provided by any other agency. Because we are a non-profit associaton, our average cost per job placement is difficult, if not impossible, to undercut. Moreover, in 1980, the International Union provided more than $500,000 as a financial in-kind contribution towards implementation of all CETA programs under contract with the UAW. We train people well, we place people in good jobs, and we do it cost-effectively. The threatened destruction of CETA jeopardizes all of this: unless there is prompt reauthorization, our work will stop in September 1982.

In October 1980, we were asked by ETA to modify our current OJT contract to provide counseling services for the unemployed. Crisis Centers were established in ten target cities thoroughout the country. Through October 1981, these Centers have provided assistance to more than 7,000 unemployed individuals. Attachment 4 provides some indication of the Centers' importance to the communities they serve.

On November 5, 1981, the UAW received a telephone call from the Department of Labor informing us that our contract #99-0-092-92-10 and 99-0-092-01-7 would not be renewed and that we should not incur costs after November 30, 1981. We were told that we would have an opportunity to respond to a Request for Proposal for funding, but that we could not expect to receive a reply for 4-5 months. Obviously, this forced

us to dismantle most of our program, lay off 78 trained personnel, and close the ten Crisis Centers. The Labor Department tells us that refunding is highly unlikely.

**Conclusion**

Some have argued that it is costly to help unemployed auto workers and to prop up the domestic industry. We believe that -- with output capacity of nearly 5 million high-mileage domestic small cars now available -- the cost is not nearly as high as that of not preserving the auto industry. It is difficult to conceive of the U.S. remaining an advanced industrial nation without a strong automotive sector.

There have been staggering losses in corporate tax revenues at all levels of government. For example, in 1978, the Big Three paid some $2.5 billion in federal income taxes alone. The Big Three's 1980 losses made them eligible for some $3 billion in credits and refunds -- a swing of over $5 billion in federal tax receipts.

Moreover, the difference between a healthy and a sick auto industry in government-financed unemployment insurance, welfare, TRA, food stamps, and foregone personal income tax receipts comes to at least another $8 billion. Compared to these public sector losses of over $13 billion per year during 1980 and 1981, not to mention the immeasurable cost in human suffering, the cost of our proposals is small. The cost of continued inaction and heartless budget cuts is incalculably huge.

Thank you.

opeiu494

# FACILITIES PLANNING & REGIONAL EMPLOYMENT ASSESSMENT

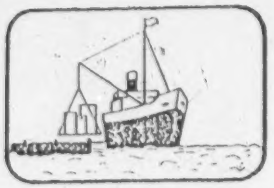
by
George Byron
John O'Donnell
George Kovatch

Department of Transportation
Transportation Systems Center
Cambridge, Massachusetts

Attachment 1

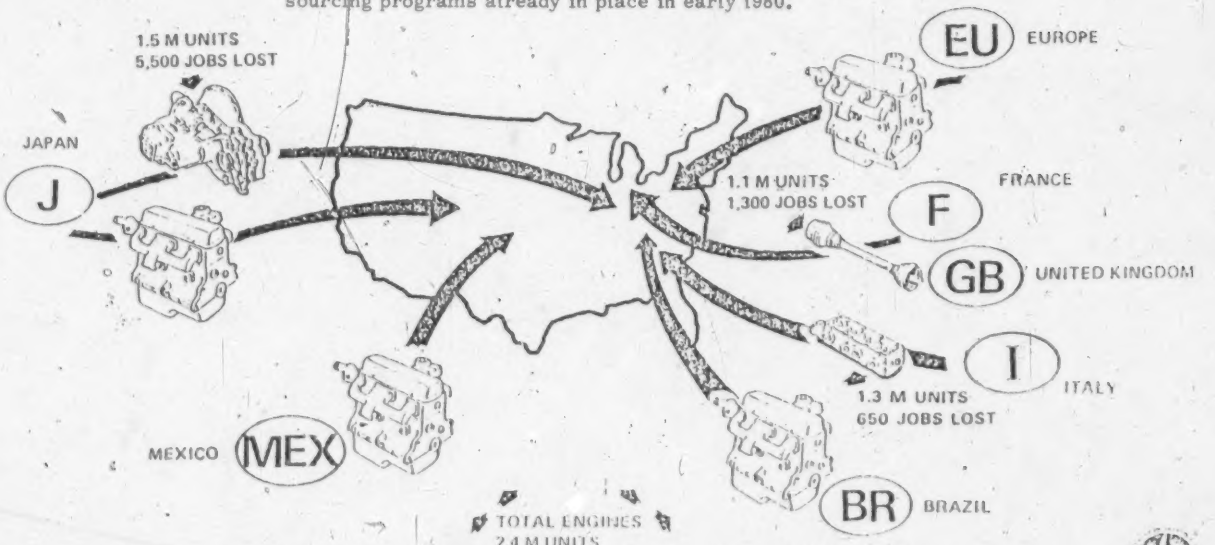
# IMPACT ON EMPLOYMENT OF 3 MILLION UNIT SALES LOSS (1978-1980)

| | | LOST JOBS |
|---|---|---|
| FINAL ASSEMBLY AND BODY MANUFACTURING | | 140,000 |
| CHASSIS MANUFACTURING | | 165,000 |
| RAW MATERIALS PRODUCERS | | 50,000 |
| PLANT SUPPORT SERVICES | | 50,000 |
| TRANSPORTATION SERVICES | | 75,000 |
| MACHINE TOOLS, TOOLS AND DIES, PERISHABLE TOOLS | | 120,000 |
| | TOTAL | 605,000 |



# IMPACT ON EMPLOYMENT OF OFF SHORE SOURCING CHANGES

This page shows the direct job losses associated with some of the sourcing programs already in place in early 1980.




SOURCE: HARBOUR ASSOCIATES

ATTACHMENT 2

U.S. SIC 371 (Motor Vehicles and Equipment Industry), 1978-81

| | 1978 | 1981 P | Percent Change | Effect on Jobs |
|---|---|---|---|---|
| Size of Market (units) | 15,370,000 | 10,900,000 | -29.1% | -291,000 |
| Domestic Share | 84.8% | 74.8% | -11.8 | -118,000 |
| Local Content a/ | 99.0% E | 97.0% E | - 2.0 | - 20,000 |
| Product Enrichment b/ | BASE | | + 4.9 E | + 49,000 |
| Mix Shift c/ | BASE | | - 4.5 E | - 45,000 |
| Hours Per Std. Unit d/ | BASE | | + 8.0 E | + 80,000 |
| Worktime Reduction e/ | BASE | | + 7.4 | + 74,000 |
| | 1,005,000 | 734,000 | -27.0% | -271,000 |

E = estimated
P = preliminary

Notes:

a/ Based on definition used in H.R. 5133.

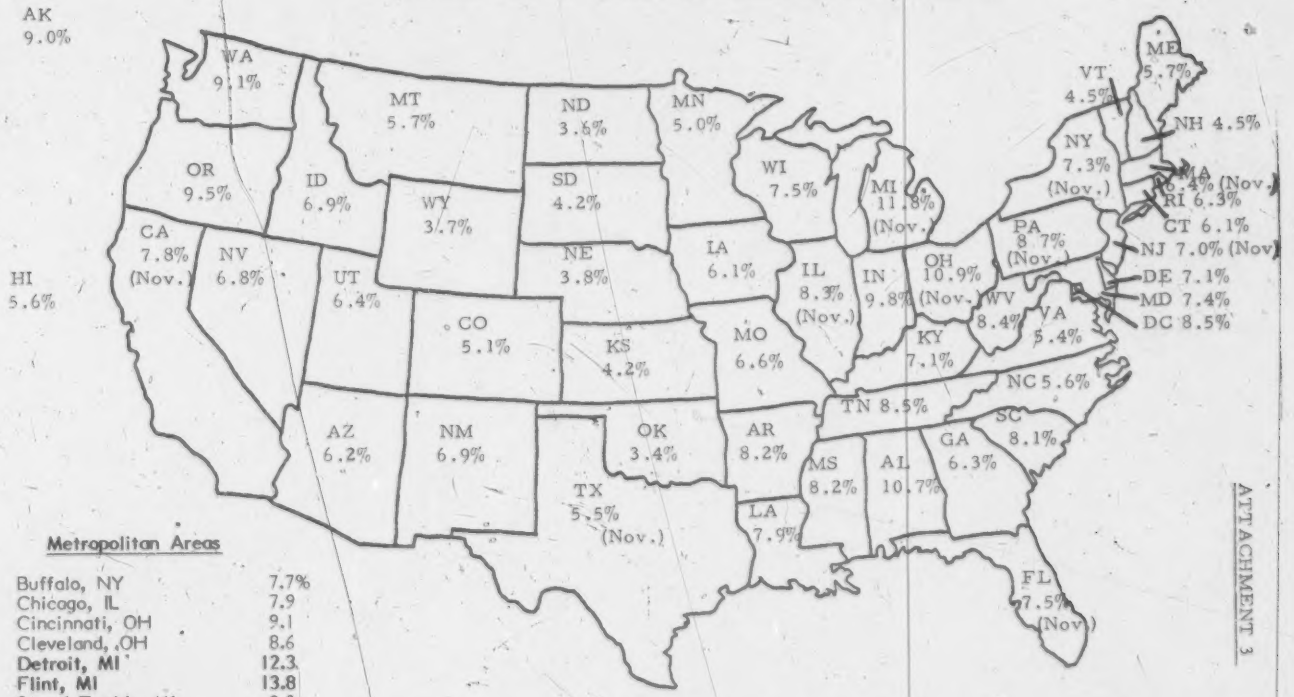
b/ E.g., transmission; other options; pollution control equipment.

c/ Reflects the demand shift to smaller cars and its approximate impact on unit labor requirements.

d/ As always, the plunge in capacity utilization results in a bigger decline in output than in employment. This is reversed in recovery periods, of course.

e/ Reflects mainly (about three-quarters) the reduction in overtime scheduling; the remainder reflects increased holiday time.

## State and Selected Area Unemployment Rates -- October 1981




National rate in October was 7.5% (not adjusted for seasonality)

### Metropolitan Areas

| | |
|---|---|
| Buffalo, NY | 7.7% |
| Chicago, IL | 7.9 |
| Cincinnati, OH | 9.1 |
| Cleveland, OH | 8.6 |
| **Detroit, MI** | **12.3** |
| **Flint, MI** | **13.8** |
| Grand Rapids, MI | 9.3 |
| Indianapolis, IN | 8.2 |
| **Lansing, MI** | **9.5** |
| Louisville, KY | 7.6 |
| Milwaukee, WI | 7.0 |
| Peoria, IL | 7.3 |
| Philadelphia, PA | 8.3 |
| **Saginaw, MI** | **13.6** |
| South Bend, IN | 8.3 |
| St. Louis, MO | 7.5 |
| **Toledo, OH** | **11.3** |

NOTE: All figures subject to revision.
SOURCE: Bureau of Labor Statistics

ATTACHMENT 3

Attachment 4

October 6, 1981

Mr. Willis Starks
Assistant Director
Job Development and Training Program
1401 Michigan Avenue
Detroit, MI 48216

Dear Mr. Starks:

As Chairman of the Private Industry Council of Madison County, Inc., I am writing in behalf of our local UAW Crisis Center.

We in Anderson are experiencing quite a dilema, considering our economic condition and our General Motors influence. We are not, however, burying our heads in the sand. We have developed several strategies by which to deal with our condition, one of which is the UAW Crisis Center. The Center has helped meet the needs of many of our citizens who would go without help otherwise. The plight of today's laid-off auto worker is quite a unique one - one that must be handled with much care. The emotional and psychological, as well as financial states of these people are being threatened, and it is important that our community make assistance available.

The PIC's involvement with the Crisis Center has been more than one of mere support. The City of Anderson has made application to the federal government, through ACAP (Auto Community Adjustment Program), for additional aid to fund a special Labor Market Clearinghouse program. The PIC and the Crisis Center have been identified to jointly operate this program to assist lower seniority, laid-off members in seeking new employment. The Crisis Center is to be the primary activity operator, with the PIC contributing administration.

We are all too aware of the challenges we face in unemployment. To lose a single part of our game plan would certainly leave us at a disadvantage. We hope you will consider Anderson's UAW Crisis Center to be important and productive enough to allow it to continue to survive.

Thank you.

Sincerely,

William H. Ray
Chairman, Private Industry Council
Executive Vice President,
Anderson Area Chamber of Commerce

Senator QUAYLE. Now, Freda Rutherford, Employment and Training Director for the Downriver Community Conference in Wyandotte, Mich.

Senator Riegle, I will turn to you for any comments or introduction you would like to make.

Senator RIEGLE. Thank you, Mr. Chairman.

Freda Rutherford, who is being seated and is at your left at the table, is the Employment and Training Director of the Downriver Community Conference in Wyandotte, Mich. This is a major industrial setting just, we say, downriver from Detroit, but it actually would be somewhat south and a little west of Detroit. It is probably, as much as any place in the United States, the industrial cauldron of our country, with steelworkers and autoworkers and other heavy industry located in that area.

The Downriver Community Conference, which is represented by Freda today and by Kathleen Alessandro, has really done an extraordinary job of both coming into being and of trying to respond to these human problems that we are talking about.

The Downriver Conference is actually a collection of local communities who saw this problem taking place and wanted to try to respond as best they could to the need. So, the various municipalities and local officials, working with myself and other congressional figures, and with the State government, have put together a coordinated response to try to help with the retraining and to try to deal with the level of difficulty and hardship that is taking place.

I think it is fair to say that they are the premier operation in the country; that they have done the most with very limited resources and have a tremendous operating record. I must just say one thing before they start, because I have been down to the conference's facilities on different occasions.

I recall vividly one day being there when you had a number of workers in midlife who had been displaced and lost their jobs after maybe 20, 25 years in a given company, and who were suddenly left with no job prospects at all. This is a tremendous shock to the psyche and to one's self-confidence, and it is radiated through the family because there is a loss of income and there is a real feeling of despair.

To meet in that setting with a group of these permanently unemployed workers who were struggling to put together résumés and to figure out what job skills they might have or develop in a new way to try to fit back into the economic system, and to listen to—these were men at this particular session, but there are women involved as well—to listen to the men that day, some of them in their late forties and some of them in their fifties struggling to try to find a way, after losing a livelihood after decades of work, to get back on track again, is a very powerful, wrenching experience and it just shakes people right to their very foundations in terms of the difficulty that they face in doing this in today's society, which is increasingly technical and which increasingly requires sophisticated knowledge and background training, and so forth, much of which folks who are displaced in midlife just do not have.

So, the task that you are trying to address here is an enormous new national difficulty and something that is not well understood. It is very important, I think, that the committee hear from you

what this is all about; I mean, what is actually happening to people and what are the mechanisms that we need to develop within our society.

In other words, what kind of assistance and help do we need to make available that is just sensible, a good investment and helps people become productive again and helps them get their lives moving again? I think that is what you can provide for us today probably better than any other witnesses in the whole country.

So, I not only congratulate you for your work, but I hope that that helps people understand the contribution that you can make here today in terms of the information that you can bring to us.

Senator QUAYLE. Thank you, Senator Riegle.

Ms. Rutherford, proceed at your pleasure.

**STATEMENT OF FREDA RUTHERFORD, DIRECTOR, EMPLOYMENT AND TRAINING, DOWNRIVER COMMUNITY CONFERENCE, WYANDOTTE, MICH., ACCOMPANIED BY KATHLEEN ALESSANDRO, PROGRAM DESIGN COORDINATOR, DOWNRIVER COMMUNITY CONFERENCE**

Ms. RUTHERFORD. Good morning, Mr. Chairman and Senator Riegle.

Thank you, Senator Riegle, for explaining the Downriver Community Conference. I think everywhere we go, people have difficulty with the concept that 15 small communities could come together to address problems that do cut across community boundaries, and work very successfully together to do that.

Our communities have a 15-year history of working together to address those social problems that impact upon all of the communities, literally running down the river from the city of Detroit south, heading down toward Ohio.

We have a population of approximately 350,000 in those 15 communities. Forty-three percent of our labor force earn their living in the manufacturing sector. We are probably more heavily industrialized than the city of Detroit itself. These citizens came to our area from Europe and ironically enough, from the Sunbelt. They took jobs in manufacturing; they married, started families, became taxpayers, owned homes—which is now a problem when considering relocation and you cannot sell a home—and considered themselves to have lived the American dream.

They played by the rules of the game, and all of a sudden, this situation has changed for a group of people who believed that they were doing the things that society intended for them to do; that they were good citizens, and they have done nothing wrong, and have ended up in this horrible situation.

Our board of directors, composed of mayors and supervisors, first came staff with this problem of the displaced workers—and please recall that we run the entry-level CETA programs, for our area, so we have been involved in CETA programing for a number of years.

In 1980, the mayor of Wyandotte came to us and said, "BASF Southworks"—that is an international chemical company—"is closing down and you are the employment people. Tell us what you are going to do about this problem."

We took a look at our local CETA legislation, title II-C, and began to design a retraining program for the BASF workers. As we started working with BASF Southworks, DANA Corp., location in another of our communities, which built truck frames for the Ford Bronco, also announced its closing; this was in the summer of 1980.

At that point, we had two plant closings with a population being displaced from the labor force of approximately 1,800. We went, first locally to our prime sponsor, Wayne County, and asked for money to operate a retraining program. We were successful in obtaining funding and actually started operating in August of 1980.

At that time, the national Department of Labor was also interested in retraining in this country and they chose us as a national demonstration program first to ask the total population of those two plants and next to start collecting some basic data on how many people would be interested in retraining and what kinds of retraining programs might work for the Nation as a whole. We would be their first test site.

Well, out of that initial population, 4 out of 10 eligible people enrolled, or about a 40-percent takeup rate, which was the first thing the Department of Labor was interested in determining. Would people really step forth to be retrained?

Of those people who came into our program, we were able to put 63 percent of them back to work at an average wage of $7.50 an hour. We considered that to be a very successful effort.

At the same time we began working on phase 1 of this program, Michigan Casting in Flat Rock, a Ford facility, announced its closing, and Firestone in Riverview also announced that it was closing. This puts us in 1981 up to 4 plant closings in our 15 communities, with a loss of approximately 7,000 jobs.

Our phase 2 money was successful in coming through from the Department of Labor, which means we have approximately 1,800 slots to retrain these workers being laid off from Michigan Casting and Firestone. As Senator Riegle mentioned, we have McClouth Steel, also in our service area, hanging by a thread at this point.

One of the thoughts that this group needs to consider is, as displaced workers become unemployed and exhaust benefits, they slide down the economic ladder and become economically disadvantaged. With their stable work history, which is what an employer always wants to hear about someone, that they will come to work every day and on time, they will force the disadvantaged out of the labor market totally.

When it is argued that displaced workers perhaps should not be considered as a training program, I guess I would like for you to be aware that this is a real potential, and is happening in Michigan. You are forcing youths out of the labor market and you are forcing out your disadvantaged, with no hopes of ever being able to compete with these people for even entry-level jobs.

I want at this point to turn to Kathleen Alessandro for a description of our program, which we believe to be very successful—the Department of Labor will be evaluating it through a third-party evaluator, and hopefully by next year we will have more information about retraining.

We would like to give you some early information on our program design from Kathleen, our program design coordinator.

Senator QUAYLE. Thank you very much. Kathleen.

Ms. ALESSANDRO. Thank you, Mr. Chairman and Senator Riegle.

As Freda mentioned, our area did give birth to the auto industry and we have lived with its ups and downs for about three generations. What we have come to call the great auto crash of 1979 has left us with permanent employment scars.

Our retraining and employment network for experienced workers, as we have come to call displaced workers, is small. We served 663 people last year; we hope to serve 1,800 people this year. That is not all of Michigan. At best, what we hope to do is provide a model for retraining programs that this Nation might develop, hopefully as part of a national policy and a national plan.

We have tried to respond to this crisis in a reasonable and effective manner. Our program tries to serve as a facilitator between supply employers—the suppliers of labor as a result of 4 plant closings—and demand employers. We have a network of 200 employers, 15 outside of Michigan and 185 within the State of Michigan—and to facilitate matching workers with new jobs.

Our program design, very honestly, is not brilliant. We think it is reasonable, it is comprehensive, and it is demanding both on staff and on the workers. We try to keep it simple and we think maybe that is the secret to our success. What we try to do as each of the plants is closed is to meet both with management and with labor and, collectively, to make sure that each worker is informed about the program.

We have worked with Ford, BASF, DANA, and Firestone, and with the UAW, the United Steel Workers, and the Oil, Chemical & Atomic Workers in the outreach process. Interested workers then come to us for an orientation which lasts about 2 hours. At that point, the program is explained and also the philosophy of our program is explained, and that is very simply that finding work is a full-time job. We provide the tools; we do not promise miracles.

We give the workers no illusions; times are tough. Better jobs will go to people with a higher level of skills, and it has taken our area a while to recognize this. We will never come back up to the 1978 employment levels, and that is hard for an area that has lived with this as our mainstay for three generations to accept. I think that has now been accepted, and we have begun to move on.

Workers are told that the best jobs go to people with better skills. They are then sent for 2 days for a battery of tests. You spoke briefly about how we assess who goes into the program. People are tested for reading, for math, for interest tests; six types of different aptitude tests take place over a 2-day period. This moves very rapidly; this all takes place at the beginning with a 2-week period, because we do not have time to lose.

Workers go for 1 week to a job-seeking skills workshop. The irony is that most of these people have held one job steadily for all of their lives. Therefore, they are not familiar with how to prepare a résumé, go for a job interview, fill out job applications, and conduct a job search in a very competitive market.

During that week, they do prepare their résumé. They go through every skill they have ever developed, whether it is military experience, work experience, an interest or a hobby, and bring all of that to the forefront. We teach them how to utilize local

newspapers and out-of-State newspapers. Our employment service has an interstate and nationwide clearing system of jobs that they can review.

We have phone banks and we have duplicating facilities, and we have staff available to assist them in their job search.

At this point, we have a wealth of information on a person. We have their financial status; we have information on their education, their interests, their work history. We have had them with us for 2 weeks. We know very well if they show up or if they do not, or if they are motivated or if they are interested.

What we then do is something we have grown to call triage. We sort of consider ourselves a MASH unit, in that we have to sort the casualties of economic war by type and severity of injury and determine the type of treatment needed. We look at the information we have about each of the workers and our staff meets as a team and decides which track a worker might best take. If they still have transferable skills in this marketplace, our job is to send them immediately to our job developers, where they are best matched to an employer. No more training at that point needs to take place.

The rest of the people do need retraining and they will take one of two tracks. If their test scores are reasonable and if they have the interest and aptitude, we will set them up in a classroom training program which we contract out.

If, in fact, they are willing and interested to work but do not have the exact test scores that would allow them to participate in a very intensive, very rugged classroom retraining program, they are geared toward an on-the-job training position. We reimburse employers to train this person, which has worked out very effectively.

Classroom training, as I mentioned, is one of our key areas. We contract with community colleges, private training institutions or private employers—whoever will give us the best package of training for the dollar.

The manner in which we do this assures marketability of our workers, because we feel an obligation not to set them up again for failure and not to train them in an area where there is no job.

We have our job developers hit the streets daily, talking to employers, and I should note this includes small and medium employers. This is not really a new area but we are all rediscovering that the basis of our economy is small and medium employers. The job developers determine what that employer needs, and there still are small markets out there where people do not have the skills and training that an employer needs.

We develop a curriculum; it is taken back to the private sector for their review before we implement it and it is set up to meet their specifications. We insist that all training is compacted; it runs 6 to 8 hours a day, just as if a person were going to work, and it does not usually exceed 15 weeks. We want this to be intense and compact so that we can move this along as rapidly as possible, and yet have quality training.

In one of our most successful training programs we contracted with a local screw machine operator. When our job developers were out talking to people, we learned that the average age of a screw machine operator in our area is 55 years old, and that is because two generations ago young boys went to the Henry Ford Trade

School, set up by Henry Ford. That is where they learned the skills.

As the economy took off, jobs in the small job shops became less desirable than working for the Big Three auto companies. So, now we have a real gap in screw machine operators. The employer said, "Look, you know, we have got to end up hiring them; let us train them." At this point, he had some excess plant capacity. We worked out a contract with him and, in fact, he did train screw machine operators per his specs and the specs of that industry, and they have all been placed with employers.

Two interesting notes on classroom training: One is that on an average, people that have gone through classroom training earn an average of a dollar more an hour than people who have not been retrained; second, an issue that I think is critical is that the blue-collar work force, the hourly work force, is learning that, No. 1, going back to school is positive and, No. 2, it is not an option—for as fast as our society and our industries move and as quickly as we need to regain our status economically.

Job development is obviously the bottom line. As Freda said, in phase 1 we placed 63 percent of the people back to work at an average of $7.50 an hour. We think this occurred because we made a lot of demands on ourselves and demands on our participants. This is not a hand-holding program. Times are tough and need tough decisions and tough commitments.

We have pulled all of our job developers from the private sector. They are not social workers; they are employer oriented. We have set up a business assistance program to have small and medium businesses come to us to assist them in getting Government contracts and defense contracts. Hopefully, the quid pro quo is that as they get a contract, we facilitate a turnkey operation for them by training their work force.

That is basically our program design. As Freda also mentioned, it is being evaluated. We welcome this evaluation, and we think it is something that more government programs ought to welcome, in that we ought to know whether the job that we have done has, in fact, improved the situation and whether the people that we are serving are, in fact, better off than if we had not existed.

We hope that that information will provide a good basis of data for the Nation as it hopefully develops additional retraining programs. We hope that you will consider the needs of the displaced worker in employment programs. Possibly, we see the government working as the facilitator in this kind of program.

It seems that as we begin to update our facilities and update our plants, we have to consider upgrading our human capital—the other piece of that puzzle that is very important.

There is always going to be a cheaper work force; now, it may be the Sunbelt. As we look, major companies are also now moving to Mexico. The issue then becomes, who in the next 5 to 10 years will be buying the cars and buying the homes and buying the TV sets and buying all of the goods and services which keep this country moving.

The basis of our middle class, if it is, in fact, eliminated, will reduce prosperity for us all as a nation. Thank you very much.

Senator QUAYLE. Thank you.

How do you relate to the CETA program? You are not a prime sponsor, or are you?

Ms. RUTHERFORD. No, we are not a prime sponsor; we are a program agent.

Senator QUAYLE. Under title II–C, did you say?

Ms. RUTHERFORD. Well, that would have been under public service employment.

Senator QUAYLE. OK.

Ms. RUTHERFORD. We did run the public service employment programs for our communities downriver. We also operate II–B on-the-job training programs, and have traditionally done that. That money comes through the prime sponsor. We have a national demonstration program under title III that comes out of Washington.

Senator QUAYLE. OK. Are you funded solely through CETA on the retraining, or how is your funding——

Ms. RUTHERFORD. The employment programs unit is. However, we are one unit of the Downriver Community Conference.

Senator QUAYLE. Yes.

Ms. RUTHERFORD. We have a general fund that comes from our communities. We have a community development block grant program; a weatherization program; we also operate seniors programs. The organization, as I stated earlier, was created by the mayors and supervisors of the 15 communities to meet those needs that cut across community boundaries. They consider it to be most cost effective and efficient to have a centralized staff to provide those services.

Senator QUAYLE. How do you utilize the existing vocational education opportunities in your area with this program? I assume you do, or do you not?

Ms. RUTHERFORD. We do. We have a consortium for vocational education for seven of our communities. Their voc ed director does most of our curriculum development.

There has been a real problem with local schools, if to, in terms of vocational education in allowing access to their facilities. They are very concerned about someone other than their classroom instructor touching that expensive equipment.

However, we have an excellent working relationship with our two community colleges in our area—Henry Ford Community College and Wayne County Community College. We have contracts with them for skill training. We use their facilities. We tie up, for example, the machine lab almost full-time in Taylor, Mich., a new Wayne County Community College campus.

They have been very flexible in working to adjust training to the needs of our displaced worker population. We have worked it out and all of us are very proud that we have been able to do so. Remember, we are local people and they are local people, and we have known each other in other lives. You can manage to get things done when people who know each other and trust each other are able to work together.

Senator QUAYLE. You indicated that you are presently under review by the Department of Labor. Do you anticipate that this program could be expanded not only in that area, but around the country?

Ms. RUTHERFORD. When the Department of Labor called us in 1½ years ago they said that this program has to be exportable and affordable. We believe that both are true for our program.

Senator QUAYLE. Thank you very much.

Senator Riegle.

Senator RIEGLE. Mr. Chairman, let me just say again to you that your willingness to conduct this hearing and your willingness to give witnesses like this the time they need to tell their story is really an impressive act of leadership on your part, and I want to thank you from the point of view of not only Michigan, but also on behalf of everybody that is affected by this problem because I think the testimony that we are eliciting here is vitally important. It is important that the committee have it and it is important that the Senate have it, and we would not be having it if we were not having these hearings. So, I just want to thank you again.

Senator QUAYLE. Well, thank you, and I appreciate your contribution as we work on a bipartisan method to improve the training programs and improve the opportunities that people do not have today. You have been very articulate in speaking out on the need for retraining and I look forward to working with you on this and other issues.

Senator RIEGLE. Well, I appreciate that, and I think it has a bearing in terms of these two witnesses because what they are bringing to us is one of the most important stories in America and it is not yet understood very widely. It certainly is not understood by the country as a whole and, for that matter, it is not even yet well understood within our own State which is the disaster zone of the country.

But what you have been doing with your program in terms of enabling people to recycle themselves back into the job market and the success ratios that you have achieved by being tough, honest about the problem, nonbureaucratic in the response, and fully plugged into the private sector, and therefore, making sure you are meeting bona fide, continuing job needs rather than training somebody for a job that is only going to last 6 months or 1 year, putting people into jobs that have some long-term potential for them, is a tremendously important piece of work.

I am convinced that the country is ready to make a commitment to this kind of retraining and serious work. First of all, I think that is the basic impulse of our country, to want to help our countrymen and countrywomen, to help them get retracked and going again.

But, second, it is good economics. The worst economics is to just close our eyes to the problem and let unemployment pile up. It is far wiser to spend the modest amounts of money that are required to set up sensible, well-focused retraining programs like these to get people through this process and back on track and back into permanent employment.

So, what you are doing is very important to the country, and the information that you bring us and this insight is very precious because it does have to be shared—your pioneering methods and capabilities that other regions of the country are going to have to begin using and employing themselves.

So, I really appreciate what you are accomplishing, but we have got to get more focus and attention onto this problem so that we can speed up the process of responding to the problem and dealing ourselves back into a position of growing economic strength nationally rather than waning strength, which has been our problem.

I think it is important for you to do one thing here today as well, and that is I think you need to give the committee a sense for what it is like for these workers in personal terms when life caves in on them and they lose these jobs after having been working maybe for 20 or 25 years.

Can you describe for us what this is like?

What is it about this problem, when they come through the door, that requires us to have facilities that are sophisticated like your own? Can you tell us that?

Ms. ALESSANDRO. Briefly, I think you can just summarize it by saying that they feel they have seriously played by the rules of the game, they have lived the American dream, and the rug has been pulled out from under them.

Every day, there are nearly 100 people whom we see coming through our program. Part of what we have had to do is set up a spouse support program where we get the spouses to sit and talk about what this is doing to families.

The human condition and the human problems that this brings on are tremendous. What we keep trying to do is focus that negative energy; they are very often hurt, they are mad, they are taking it out in ways that at some levels show no pattern. We just keep trying to redirect it back to reemployment, since that was the cause of the problem and that, we hope, is the answer.

We have, I think, also been able, given that we are small communities that have banded together, to do things that other areas may not have been able to do. We have, I think, a rarity. We have doctors who have committed three appointment times each week for people who do not now have third-party payments. Their health insurance may have run out and they are not eligible for other programs.

Senator RIEGLE. Right.

Ms. ALESSANDRO. We have hospitals and pharmacists matching that with prescriptions and bed space.

I do not mean for this to sound like a good news story, but if anything has happened with the trauma, it is that the community has banded together, families have banded together. On the issue of relocation that you mentioned, these are people who have tremendous roots in our area and some of them have said to us, "I swear I would rather starve here with my family where I can get a cup of sugar if I need it than go off on my own to a foreign area."

Senator RIEGLE. Right.

Ms. ALESSANDRO. We want to keep them there; they are our citizenry. They are the hard-working base, I think, of this country, and they do not want a hand-out; they want to go back to work. We want to keep them financially stable while we retrain them and put them back to work, where they can again be fulfilled and pay their taxes again and do what they felt comfortable doing for the past 20 years.

Senator RIEGLE. I will not press you on this other point, but it seemed to me that some of the folks that I talked to one day in one of your training sessions—as I listened to the individuals around the table tell their personal stories, the longer we talked and the more that came out, it was obvious to me how horribly difficult this is for a wage-earner and a head of a family, maybe at age 54, who suddenly lost everything, to have to start over again and to conceptualize everything ranging from how they determine what their real skills are in a new job market situation to how they go about reconnecting to that outside world of jobs, especially when times are tough.

I remember particularly how emotional some of the people were, how deep the shock goes in terms of their own psyche, their own lives, their own circumstances, and how profoundly difficult it is in human terms for people to get through this kind of an economic transition in their lives.

It was obvious to me that for many of them, there is no way they can do it by themselves under these kinds of economic conditions. There have to be facilitating agencies, efforts like yours, or we are going to end up with a tremendous accumulation of human wreckage. That is why I think it is so essential that people really understand the anatomy of this kind of an economic transition, because otherwise we are not going to have the mechanisms. The kind of problem we are facing is such that it will not take care of itself.

We need programs like yours. I know that there are other places besides just our area where we need to transplant what you have been doing so that it can reach a greater number of people quickly. The country would gain from that. The sooner we get people through this terrible experience and back on track, the better for everybody.

I want to ask you one final thing, and that is, CETA has to be reauthorized this year and I am wondering if you have got any thoughts for us as to how that law could be changed or amended to let us respond more effectively to displaced workers. Is CETA the right place to retrain or otherwise assist displaced skilled workers? What thoughts or recommendations would you have for us there?

Ms. RUTHERFORD. I think CETA definitely needs to be reauthorized. One of the points that you made, that I would want to certainly concur with, is that it is not at all feasible to think that you can operate a voucher program or the training effort that was attempted under TRA for a blue-collar population without a strong services component such as CETA provides. When the displaced workers got out of high school, if they did, they never expected to enter a classroom again.

We professionals go to day long seminars and back to obtain masters and Ph. D.'s and even patches of education for pleasure. My friends are big on art appreciation classes. This population looks on continuing education as punitive. To have to return to school; only teenagers do that. Now, they are going to have to change their minds about education.

You are also presuming that the individual has some sense about the economy; that they go out and do a labor market analysis and know where the jobs of the future are, what the best training school is; how you get through that bureaucracy—to find your way

there, get through very confusing campuses, figure out the enrollment process of a college, is very bureaucratic in itself.

To think that individuals who have never even thought about returning to education are going to be able to get through all those hurdles on their own, I believe, is unrealistic. I think, up front, one of the things that we spend a lot of time doing is providing them with labor market information and information on what schools are like before we even start enrollments.

Now, as our classes are finishing, they have been on the campus and they can find the bathroom and the classroom and learn that everybody there is not 18 years old, they start talking. "Well, now, on my own I am going to go back and finish out the associate's degree, or I am going to Wayne State University and get a degree in engineering now that I have gotten in my first year."

They will continue on their own if we introduce them to education, but that takes a lot of persuasion on our part. Education is not a blue-collar goal and it needs to have a service delivery system, which I think CETA has done. Prime sponsors have primarily been administrators; they have contracted that out to training organizations.

Somebody has to provide that coordination and that coaching, if you will, or guidance to see that people really do follow through on employment plans and that they get helped out when they have difficulty, to get through the system.

Certainly, I would love to rewrite CETA; I am sure all of you would. I have worked with it for long enough; I think I know its shortcomings. But it can be packaged in a way that makes sense.

Senator QUAYLE. Will the Senator yield?

Senator RIEGLE. Sure.

Senator QUAYLE. Have you had an opportunity to discuss or see an outline of the job training bill that I have proposed?

Ms. RUTHERFORD. Yes.

Senator QUAYLE. Do you have any general comments about it—favorable comments? [Laughter.]

Ms. RUTHERFORD. Yes, absolutely. I sit on the board for the private industry corporation in our county. I think there absolutely needs to be a greater involvement of the private sector in training programs.

I think in Michigan, it is the first time that we have seen the private sector maybe having some interest in Government programs. We do have their attention now; they do see retraining as something that can help them out of their difficulties.

I think business, labor, and Government can work together and design programs. First of all, let me comment on bills versus regulations. I always like to see what the regulations look like to know what is really going to happen.

I think that it can be designed to make sense, but what you have done over the last 5 or 6 years is change the direction in which you expected local people to operate almost daily. We have received more CETA letters than there are days in the year, giving us conflicting directives on what sort of goals and objectives you intended for these programs to have.

I have worked for two prime sponsors as a planner. I was the person who received those letters. I think that the Congress and

the administration need to know what they want us to do and be willing to stick with that for a period of time without changing goals every month or every time the economic conditions change. We need some stability, which we have never had, to run programs.

Senator RIEGLE. You know, I think when we get to the point of actually drafting the legislation, it might be very helpful to draw on these folks because I think they could be very useful resource people to the professional staff and to the subcommittee and to the committee in making sure that we try to gear whatever will be forthcoming around these hard, practical economic realities that are out there. We are going to have to get the maximum mileage out of every dollar we spend because we are not going to get very many, so we cannot afford to waste a single one.

I think our chances of getting better mileage out of the program are greater if we can draw on some of this sort of frontline experience in rewriting those laws.

Senator QUAYLE. I can assure you that we will be more than happy to draw on your talents and advice, and work with you, Senator, and the people from Michigan because I think they have outlined a remarkable and successful program. I think that the concept there could be embodied in future, substantive, sustaining legislation.

So, I look forward to working with you individually and, of course, with Senator Riegle.

Senator RIEGLE. Very fine.

Thank you very much for coming today and for your work.

Ms. RUTHERFORD. Thank you.

Senator QUAYLE. Thank you.

[The joint prepared statement of Ms. Rutherford and Ms. Allesandro with attachments follows:]

TESTIMONY

SUBMITTED TO THE

SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

MONDAY, JANUARY 11, 1982

Status of the Retraining and Employment Network for Experienced Workers operated by the Downriver Community Conference in Wayne County, Michigan.

SPEAKERS:

Freda Rutherford, Director of Employment & Training Unit

Kathy Alessandro, Program Design Coordinator

BACKGROUND

The 15 small communities which run literally "down the river" from the City of Detroit share a long and proud history. It is an area where the American dream is not only dreamed but, in fact, has been lived for nearly three generations. It has been home to one of the largest concentrations of industrial capital and skilled workers in the Mid-West. In addition, the Downriver shared the early labor history and has been home for hundreds of thousands who moved here to work for their prosperity, from Europe and, ironically from what we now refer to as the "Sunbelt."

Nationwide, 23% of the people earn their income from the manufacturing industry - Downriver it's 43% of the people. So, when the "Automotive Crash of 1979" hit - it hit our area with both fists. By 1982 - it is projected that the 16 largest Downriver employers will be only at 58% of their 1979 level of employment.

The Downriver has always been a tightly knit and cooperative group of communities. Nearly 5 years ago, the 15 cities founded a public non-profit corporation to solve mutual problems and where feasible, minimize costs and maximize efficiency. Therefore, the DCC administered CETA programs for the economically disadvantaged on behalf of the 15 communities. Subsequently, when the first of what was to be 4 major plant closings occurred, the mayors requested immediate and various services on behalf of their newly unemployed citizens. The DCC developed a Title II-C Retraining program, secured start up funds from the Wayne County Employment and Training Administration and was subsequently made a National Demonstration Project.

PROGRAM PHILOSOPHY

As the Employment and Training Program Agent for 14 Downriver communities, the DCC had significant experience in providing employment and training services to the disadvantaged, unemployed population. When the economy forced the issue of massive layoffs to the forefront it was obvious that some local response was needed. Aside from the impact of massive layoffs on the economic and social fabric of the communities, two things became immediately apparent:

1. Since these workers had "played by the rules of the game," i.e., worked for the same company for years, they had no idea how to find another job, choose a new career or the process for going back to school.
2. The longer these workers are laid-off, the more likely it is that they become eligible for existing CETA programs - which, given their considerable work experience, "bumps down" the disadvantaged from competing for existing CETA slots.

The philosophy of this program is based on the premise that "Finding Work is a Full-Time Job - We Provide the Tools." With over a half million people out of work in the state of Michigan, there is no substitute for personal motivation and the desire to work and, if necessary, learn a new skill. Participants must make a commitment to make it their responsibility to succeed. Our responsibility is to provide the best, yet cost-conscious, services available.

As our economy goes through these drastic changes, another issue becomes apparent -- the concept of "continuing education" is of critical importance not only to the white collar work force, but also the blue/pink collar work force. This "second industrial revolution" needs a highly skilled, trained work force which can keep up with the needs of business and industry. People whose experience has shown that they are ready and willing to work, but lack today's and tomorrow's skills, constitute a waste of human capital that the economy cannot afford.

PROGRAM STATUS

Since June of 1979 the following four major plants have permanently closed:

| | COMPANY | NUMBER OF DISPLACED WORKERS |
|---|---|---|
| Phase I | DANA Corporation (produced truck frames) | 900 |
| Phase I | BASF Southworks (Chemical) | 740 |
| Phase II | Ford - Michigan Casting Center | 3,700 |
| Phase II | Firestone (Steel Fabrication) | 900 |
| | | 6,240 |

During Phase I, 40% (665) of those laid off enrolled in the program. Within 1 year 63% were returned to full time employment earning an average of $7.50 an hour.

Phase II began operation in November 1981. To date, nearly 700 workers have enrolled in the program. This program has the capacity to serve only 1800 workers. Though the $3.5 million of programmatic funds are twice the amount of funds received for Phase I, Phase II hopes to serve triple the number of workers.

Business , labor and community support have been key to this program's success. Effected businesses have provided ongoing outreach to their workers who have been laid off. In addition, Ford Motor Company has entered a joint venture with the DCC to conduct a Nationwide Job Fair, for its employees, with Ford picking up the costs of this event. Effected unions have offered free use of union halls, sent out subsequent mailings and provided ongoing program information and referral to their memberships.

In addition, community leaders have committed their services to the program

- local doctors are committing a set number of free or low cost appointments for persons who have lost their 3rd party insurance payments.

- hospitals and pharmacies are matching these services with prescriptions and bed space.
- when laid off workers come to the attention of local police and judges they are immediately referred to this program.
- local mayors, churches and schools have provided free space for selected program activities.
- local media provides ongoing public service programming time for discussing of DCC services.

This program has attempted to maximize its resources by 1) not re-inventing the wheel, 2) utilizing existing resources, wherever possible and 3) trying to gain commitments (financial and programmatic) from effected companies, unions and community resources.

Program Design and Operation

This Retraining and Employment Network for Experienced Workers serves as the facilitator between supply employers (those with employees on long-term or permanent layoffs) and demand employers (those in need of trained, motivated employees). The program goal is to "return workers, as expeditiously as possible to quality jobs in the labor market." It was not developed and does not operate as an extended welfare or social services program.

This program goal is made clear to both employers and participants. "Training the Workforce for the needs of Business and Industry" is the message carried to demand employers by the Job Development staff. Internally, all participant literature and handouts state that "Finding Work is a Full-time Job - We provide the Tools." The program reinforces, for both employer and worker, that success is not accomplished through a handout but rather a partnership commitment to putting motivated, trained people back to work. DCC sees its function as the facilitator between responsible employers and responsible participants.

The following chart and subsequent text explains how the DCC Retraining and Employment Network for Experienced Workers transitions employees between supply and demand employers.

RELATIONSHIP OF DCC EXPERIENCED WORKERS

PROGRAM TO DOWNRIVER, STATE OF MICHIGAN AND OUT OF STATE EMPLOYERS

DOWNRIVER SUPPLY EMPLOYERS

*BASF Corporation
*DANA Corporation
**Ford Motor Company
**Pennwalt Corporation
Chrysler Corporation
Firestone Tire
McLouth Steel
Vulcan Mold and Trim

*Are currently referring former employees

DOWNRIVER, STATE OF MICHIGAN, AND OUT OF STATE DEMAND EMPLOYERS

180 Detroit SMSA and Michigan companies

15 Out of State Companies

Each of these 195 companies has, or is in the process of receiving OJT, Direct, or Indirect placements from the DCC.

DOWNRIVER COMMUNITY CONFERENCE
RETRAINING & EMPLOYMENT NETWORK FOR EXPERIENCED WORKERS
Acting As

-Facilitator between Supply and Demand Employers
-Retraining Programs - All reviewed by Private Sector prior to implementation
-On-the-Job Training, Direct Placement Services to Demand Employers
-Relocation Assistance where necessary
-Technical Assistance Re: Federal contract Procurement, Economic Development and Business Expansion

Oprationally, each aspect of the program is integral. The full package is required to maximize re-employment.

Orientation and Assessment

All participants receive a one to two hour orientation to the Program. In addition to general information about program activities and the certification process, participants are informed of both the philosophy and groundrules of program participation. A less than rosy picture is painted for the unskilled worker in the metro-Detroit area. Times are tough, jobs are competitive and therefore marketable skills and motivation are the bottom line for employment.

Since this program does not see itself as a baby-sitting service or group therapy session, participants are given the philosophy of the program: "Finding work is a Full-time Job - We provide the Tools." Participants are expected to make a personal, responsible commitment to their re-employment. Program staff feels a responsibility to provide professional and timely services. But it is the participants' responsibility to avail themselves of program services and follow through.

Following orientation, participants are scheduled for a two day session of testing and career exposure. Pre-determined career growth areas are discussed and participants receive Math, Reading, Interest and Aptitude Tests. The Test results are used as a key determinant for which program services a participant receives.

Full Staff Review and Assessment - At this point, all staff involved in the preceding services meet to mesh the information gathered about the participant, assess the participant's strengths and weaknessess and conduct triage (classically defined as "sorting out casualties of war, or similar disaster, based on priority of need and proper place and type of treatment"). For the purpose of this program triage consists of assessing participant information and determining the following most effective route back to employment:

Direct Job Placement - Worker possesses a skill in demand or an educational background which makes him/her job ready. Job Developers will work with them to secure a job placement.

Classroom Training - Worker does not possess a marketable skill but has the aptitude and capacity to enter an intensive, classroom retraining program. Some workers may attend regularly scheduled classes rather than a compact intensive program.

On-the-Job Training - Some workers (not suited for or interested in classroom retraining) will take jobs with local employers who are reimbursed for training the employee on the job.

NOTE: Orientation through final staff assessment are completed over a 2 week period.

ECONOMIC READJUSTMENT PROGRAM

-How The Program Will Work With You-

| STEP BY STEP | ACTIVITY | EXPLANATION |
|---|---|---|
| u have been scheduled or a group kick-off session with D.C.C. Staff. | Orientation<br>2 Hours | To expose you to general information and services this program can and cannot provide. |
| You have been scheduled for group testing - we call it Assessment For Experienced Workers. | Assessment For Experienced Workers | These tests will give our staff an idea of your Interests and Abilities. |
| Individual appointments have been set up for each person. We know a lot of information is required - thanks for your cooperation. | Intake and Enrollment Certification<br>1 for each participant | This session verifies your eligibility and formally enrolls you into the program (See attachment list of required paperwork). |
| You will be scheduled for a specialized group workshop to fine tune your Job Seeking Skills. | Job Seeking Skills Workshop<br>4 Days 8:30 - 4:00 pm<br>Monday - Thursday | This workshop will expose you to the Labor Market. Tells you how to use resource material. Helps you to prepare for an interview. Helps you to develop a resume'. |
| You get a day off - D.C.C. Staff meets to review your case files. | Assessment (Triage)<br>Then an individual or group meetings with you will be scheduled this week. | Counselors and Job Developers will review your skills, interests and aptitude and schedule an individual or group session to meet with you to discuss your options. |

Classroom Training
lass Size
ss Than Class Size

On-the-Job Training (OJT)

.. Resource Center
Direct Placement into jobs.

As is often the case, staff have found that the first impression is the lasting impression. Therefore, the worker orientation session is constantly updated to reflect current program operation and realistic employment goals.

More interesting has been the response to participant testing and assessment. Intially, there was a concern that "hourly workers won't take tests and won't go to school." Quite the opposite has been true, workers find the testing as one the most positive services provided by the program. For many, it is the first time for them to take a hard look at both their interests and abilities. The test results have in several instances, made staff modify a training curriculum. Often, individual test results have indicated that a participant may have the interest but does not have the ability to enter into an intensive (and expensive) classroom training program. These participants are directed to other services.

Retraining

Since the workers coming into this program generally possess outdated skills, retraining (either classroom or on-the-job training) is the key to their re-employment.

Occupational areas for retraining are determined by staff contact with the private sector. NO CLASSROOM RETRAINING PROGRAM IS IMPLEMENTED UNTIL THE CURRICULA HAS BEEN REVIEWED OR MODIFIED BY THE PRIVATE SECTOR.

Two interesting aspects have come to light: 1) Graduates of classroom training programs earn an average of $1.00 more a hour than other participants (OJT, direct placements); 2) possibly even more significant, is that through classroom re-training, hourly workers are now learning that "going back to school" is not optional, but essential. As a recent graduate of the DCC Machinist course stated, "with the new skills I've learned, if the economy takes my job away again - (which can happen), I've got some options. Now that the DCC got me started, I'm going to continue my schooling to complete my associate degree."

The concept of continuing education is becoming as critical for the hourly production worker as it has been historically for salaried/professional workers.

The DCC in concert with the private sector has implemented classroom retraining programs in the following areas:

| | |
|---|---|
| Machinist | Drafter/Detailer |
| Numerical Control Operator | Computer Programming |
| Energy Related Trades | Welder Fitter |
| Pipe Welding | Bookkeeping/Accounting Trainee |
| Hydraulics | Sales/Marketing |
| Electronics Technicians | |
| Screw Machine Operator | |

On-the-Job Training contracts are developed with the same concern for skill development and marketability.

CASE STUDY

When staff met with private employers a need for skilled screw machine operators become apparent. Nearly two generations ago, young screw machine operators were trained at a trade school developed by Henry Ford. Since that time, the trade school has folded and working for the Big Three became more desirable employment than working in a small job shop. Now, the average age of screw machine operators in the Detroit area is 55 years old. Staff talked with several screw machine shop owners who talked of both the skilled worker shortage and the lack of anything like "the old Henry Ford Trade School."

Our employer stated that since "we need to hire them - so we should train them - we just don't want a red-tape program for people who don't want to work." Staff consider that to be a reasonable and honest request. The employer designed an intensive screw machine operator training program.

Job Development and Placement

Occupations in demand are determined through ongoing discussions with private sector employers who relate their skilled worker needs to the job development staff. Employers will readily state that an individual had such a skill, he/she would be hired immediately. The employers will also state that they have had little or no success in securing individuals who have the pre-requisite skills to enter a particular occupation. Upon securing this information, the job developer will survey other similarly situated employers to determine if they are experiencing the same skill shortages. The employers list is compiled from the Harris Michigan Industrial Directory, Dunn and Bradstreet, and Thomas Registers. Using this approach, job developers are able to determine, within a short period of time, which occupations are in demand and where possible sites are located.

This program has developed a network of nearly 200 area and out of state employers. Just as participants are assessed to determine their proper placement in the program, so are the employers. Job Development staff look for employers whose operations appear solid and who have a sincere interest in participating in the program. Initially, several employers were hesitant to participate in "another government program". Staff however, have developed a professional rapport with the private sector, by minimizing paperwork and establishing a good track record in placements and follow through. All Job Developers were hired out of the private sector and have an empathetic relationship with employers. Private sector support of this program is critical and therefore it is nurtured to meet its training, recruitment and placement needs.

Once employers are identified, a judgement is made whether the positions can be filled by a direct, indirect or On-the-Job Training placement.

CASE STUDIES

Security Bank and Trust

One of the first direct placement positions for the program was that of a Maintenance Supervisor for a large area bank. The position had remained vacant for a six month period, since the bank could not find a qualified individual who met their high security standards. This program referred a 55 year old, former 34 year BASF employee. This man had a solid work history, excellent references and real "Survivor's" spirit. However, since he had held one job for 34 years - he had never been on an interview. He was scheduled for a Job Seeking Skills Workshop, learned how to interview, prepared a resume and proceeded to "sell himself" into the position of Maintenance Supervisor. His spirit and motivation impressed staff so that a video tape of his spirited "pull yourself up -- go for it" message to fellow workers has been incorporated into the participant orientation session.

Woodbine Tool

A local shop owner was contacted by Job Developers to fill various positions needed by the company. This company has contracted 5 On-the-Job Training positions including Salesman, Machinist, Supervisor, Truck Driver and Welder. The employer is impressed about several aspects of the program. He considered the aptitude and interest testing a valuable tool for his selection process. He also commended the training courses as the "icing on the cake" for hiring competent people. Aside from a cost saving approach to training new employees, this employer also appreciated the time (and cost) savings of recruitment and pre-screening. The cost of local ads, phones ringing off the hook (often with people who had little idea of what the job entailed) and office staff time used to interview and pre-screen have been practically eliminated.

One of the former DANA employees hired by this employer had been a production worker for 14 years. Following program testing and assessment, an employment specialist suggested he enter sales. He quickly informed her that she "had a ball-bearing loose if you think I'm gonna sell vacuums door to door." She responded that if he combined his knowledge of the manufacturing process with a class in marketing/sales he could have a new career. He agreed and is now a Sales Representative and Die Designer for Woodbine Tool.

Job Search and Relocation - In some instances, the best job for a participant is located out of the metro-Detroit area. This program allows for travel payment for a bona-fide job interview and relocation expenses if a job is secured. In addition, out-of-state employers have come to the Downriver Community Conference to interview prospective employees and review training programs.

SERVICES

Since the workers coming from the effected companies were long-term employees, they had little experience in job interviewing, resume preparation and the like. Even the most motivated, skilled worker is at a loss if he/she can't get in the employer's door and sell him/herself. The Job Seeking Skills Workshop is required for program participants. Fellow workers critically assess their total work history, military experience, interests, and skills. They are taught to develop skills so that they can conduct their own Job Search. The skills they've developed carry through to a Job Club where phone banks, business and industrial directories and resume copying are at their disposal, under staff supervision.

Other Job Search services include use of the Michigan Employment Security Commission Interstate Clearance System, (listing job openings nationwide) and Job Search/Relocation financial assistance (paid by the program).

CASE STUDY

Job Developers made contact with a Texas based manufacturer of oil drilling equipment. This employer had a need for welders. He came up to the program (employer paid his own trip expenses) and interviewed nearly 20 participants over a 3-day period. He immediately hired 4 workers and another 4 are pending. All of these positions are direct placements not OJT, with the program covering relocation costs for hired workers.

PRIVATE SECTOR EXPANSION & DEVELOPMENT

The best retraining and job placement program in the world is of little use if their is no demand for employees. As stated previously, program staff work with the private sector daily to assure that training courses and placement referrals meet their needs. In addition, the program has become involved in numerous other activities geared to assist local business and industry expansion and development. Some of those activities include:

Opening Michigan's First Business Assistance Center

Based on the results of the follow-up survey of firms attending a defense procurement conference, the program has established a resource center staffed to help small and medium sized companies compete for federal contracts. The Downriver Business Center staff assist by identifying markets and leads, filling out bid notification forms, representing firms to prime contractors, and actual assistance in the completion of bids. The Center is equipped to provide viewing and copying of military and federal specifications. A library of useful documents and publications to aid in market research and effective bidding is maintained. The Center operates as a focal point to link companies to employment and retraining services and economic development assistance.

Linkages to Area Banking Community

Even if companies plan to expand or modify their operations, current economic conditions require a critical assessment of investment or borrowed capital. This program can reduce employers' costs in the areas of recruitment, pre-screening and training of a workforce. Staff have been meeting with area banks to inform them of this service so that they can reduce costs wherever possible.

A representative of the Downriver banking community sits on this program's Employment Task Force. A letter is being sent to area banks, co-signed by this bank's representative and the Program Director, inviting them to review the program and ask any questions they might have about how retraining and placement services can be provided free of charge to qualified companies.

Chambers of Commerce and the Private Industry Corporation

Program staff serve on boards or committees of both area Chambers and the Private Industry Corporation. These relationships are the key to maintaining and developing relationships with the private sector. The Private Industry Corporation recently prepared a four-color brochure marketing the Downriver as an area for sound business expansion and development.

CASE STUDIES

Ewald Associates

This area manufacturing company has employed 6 program participants in OJT positions as Plant Manager, Maintenance Staff, Tool and Die Maker and Contract Administrator. Currently Ewald Associates is under contract to the U.S. Army to develop a plastic/fiberglass prototype truck. This Firm attended the recent Federal Procurement Conference and will work with the DCC to prepare bids for other government (Defense) contracts. If an awarded contract warrants Ewald Associates moving into production operation they will locate Downriver and hire employees through this program.

Cathodic Electro-Coating

A new firm recently located in the Downriver. CATHODIC has developed a new process to coat metal. Business prospects look good. CATHODIC utilizes this program as their sole source for employees. Initial employees received an upfront concentrated training session (paid for by this program and conducted by the employer). Current employees include Working Leader, Maintenance Workers, Racker-Packers, Administrative Secretary and Material Handlers. Plans are to expand operations to a full two-shift schedule by September with this program providing the turn-key, trained workforce.

THE DCC PROGRAM AND ITS IMPLICATIONS FOR FUTURE PUBLIC POLICY PLANNING

The DCC Program is providing retraining and re-employment services to displaced workers within the framework of a third-party research evaluation.

The DCC welcomes this evaluation component since it can provide an extensive data base for future program planning.

In an era of limited resources it is not enough to "want a program that helps people." The acid test is whether or not the situation in fact was improved, and what cost is society willing to pay for it?

The purpose of a National Demonstration Project is to let a model determine whether or not a program is or should be exportable and affordable. DCC welcomes this opportunity.

(Note: In the interest of economy, certain other material submitted for the record by Ms. Rutherford and Ms. Alessandro, including newspaper clippings and brochures, was retained in the files of the committee where it may be researched upon request.)

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May 7, 1981

Ms. Freda Rutherford
Director of Employment & Training
Down River Community Conference
140 Superior
Wyandotte, Michigan

Dear Ms. Rutherford:

I want to congradulate you on your excellent organization. We have been very pleased with our dealings with all your personnel. Every one associated with our screw machine operator training program has demostrated a realism and determination that often is not found in this area.

The original concept was developed because of observations on the part of Frank Eichenlaub and others of the obvious need for automatic screw machine operators. This same hard work and determination had been shown by your job developers and counselors. They made no effort to soft sell the program as has often been done in the past.

They have counselled the trainees in good work habits. Their prescreening process was extremely effective. They have given us a group of people who I think really want to learn a trade.

We have been given a free hand to conduct our training as if it was a business. We demand that the students be punctual and dependable. All of them have been counselled that it is to their benefit to learn as much as possible and all are responding in that manner. The results, I think will be very good.

This is the approach that should be taken in this type of federally funded retraining program. First, identifying the need and finding a competent employer in the field to put the plan into action. Second, doing a thorough prescreening identifying the people most able to succeed in a particular program. Not trying to over sell a program. Everyone is not able or willing to become an automatic screw machine operator. Third, not coddling anyone. Impressing on them that employers want people who are serious about their work and who are dependable. They should approach their retraining as if they were serious about it.

Your people did all of the above in regards to our auto screw program. They are very effective and competent and deserving of merit.

Very truly yours,

Charles S. Tompkins III

UNIT OF THE Crown Group, Inc.

**CATHODIC ELECTROCOATING CO.**

100 MILL STREET · ECORSE, MICHIGAN 48229 · PHONE: (313) 388-4644

May 8, 1981

Mr. Jerry Ehrenberg
Downriver Community Conference
140 Superior
Wyandotte, Michigan 48192

Dear Mr. Ehrenberg:

This is to inform you of the success and returns we have already experienced through the employment and training program your organization is responsible for. Through your organization's efforts, we were able to hire competent, reliable workers who are trained and prepared to work while minimizing our interviewing time to no more than 3 - 4 people per position. Not only were you able to identify and select individuals who fit our organization, but your referrals made it difficult to make a decision as to which one we wanted.

Starting a new business is never an easy task, but thanks to your program and your personal endeavors, the task has been easier and we are looking forward to working with you as we continue to grow and prosper. It is very apparent to us that the training and cost effectiveness that this program provides to the private business sector is a much needed and worthwhile project.

Thank you again for making us aware of your program.

Sincerely,

Cathodic Electrocoating Company

Robert L. Long

Robert L. Long
Vice President
General Manager

/lm

**EWALD ASSOCIATES, INC.**
19450 FITZPATRICK • DETROIT, MICHIGAN 48228 • PHONE (313) 273-6600

May 8, 1981

Mr. Jerry Ehrenberg
Job Developer Coordinator
Downriver Community Conference
140 Superior Blvd.
Wyandotte, MI 48192

Dear Mr. Ehrenberg,

I am writing to acknowledge our company's support of the Downriver Community Conference's (DCC) retraining and job placement program. The six people currently employed by our company, through your program, are both capable and motivated.

As you know, we are currently under contract to the Department of Defense to provide a prototype truck for the U.S. Army. We will also be attending the Federal Procurement Conference co-sponsored by your organization and plan to bid on additional government contracts.

As we at Ewald Associates expand our operations, we will work with the DCC to secure additional employees. Your services of recruitment, pre-screening and training provide us with a significant cost savings and an additional incentive to expand our business.

We look forward to working with you to achieve our company's current and future employment goals.

Sincerely,

Frank T. Soliman
President

IRWIN
IRWIN INTERNATIONAL
2000 Green Road
Ann Arbor, Michigan 48105
Phone: (313) 663-3600

April 29, 1981

Mr. Jerry Ehrenberg
Downriver Community Conference
140 Superior
Wyandotte, Michigan
48192

Dear Mr. Ehrenberg:

I am writing to acknowledge my support for the job training and placement program sponsored by your organization. During the past several months I have conferred with Jim Perry on several occasions to establish a working relationship which can assist us in placing unemployed workers with our company.

I am aware of several of the benefits which your organization provides to employers. The process of identifying and screening reliable workers is a valuable service which should generate a cost savings to us in the areas of advertising and recruiting. Your sponsorship of formal technical training provides us with an additional resource for obtaining job applicants who are prepared to function with normal in-house training.

I have been impressed by the enthusiasm and committment demonstrated by Jim Perry and Dick Owstron and look forward to working with them toward our common goals. I wish you continued success in your efforts.

Sincerely,
Irwin International, Inc.

Joseph M. Shaver

Joseph M. Shaver
Human Resources Representative

JMS/sd

**Lincoln Steel Fabricating Co.**

CUSTOM STEEL FABRICATING

18501 KRAUSE • P.O. BOX 2122 • RIVERVIEW, MICHIGAN 48192 • (313) 282-3221

June 11, 1981

Ms. Freda Rutherford
Director of Employment and Training
Downriver Community Conference
140 Superior
Wyandotte, MI. 48192

Dear Ms. Rutherford:

Over the past few months our firm has benefitted from several placements through your employment and training program.

The services provided by your program staff have saved us a considerable amount of time and effort in securing reliable and competent employees.

This experience has been beneficial to us as a small growing firm because we have not only saved time and money on our recruitment and hiring processes, but have been able to develop a positive relationship with a government funded program.

We appreciate the efforts put forth by your staff on our behalf, and look forward to further cooperative efforts as we continue to grow.

Sincerely,

LINCOLN STEEL FABRICATING CO.

Robert L. Love Jr.

Robert L. Love
President

RLL/lkm

**SUN INDUSTRIES, INC.**

18620 FORT STREET • P. O. BOX 2122 • RIVERVIEW, MICHIGAN 48192
(313) 282-6100

June 11, 1981

Ms. Freda Rutherford
Director of Employment and Training
Downriver Community Conference
140 Superior
Wyandotte, MI. 48192

Dear Ms. Rutherford:

I am writing to express my support for the employment and training program which has enabled us to work with your staff in placing and training new members of our work force.

I am especially impressed by the savings in recruitment expenses and time, as well as the efficient procedures and coordinating efforts shown by your employees throughout the entire process. The training and follow-up they have provided are beyond what we would have been able to do on an individual basis.

My experience with this program has shown me a positive benefit side to the tax dollar which I pay as a private employee. This kind of return on my tax dollar is certainly gratifying to see.

I encourage you to continue your efforts to make more employers aware of the benefits of this program and thank you for all you have done on behalf of Sun Industries, Inc.

Sincerely,

SUN INDUSTRIES, INC.

Robert L. Love Jr.

Robert L. Love
Vice President and
General Manager

RLL/lkm

**TAYLOR TUBE PRODUCTS INC.**

**Fabricated and Brazed Tubular Products**

28325 NORTHLINE ROAD
TAYLOR, MICHIGAN 48180
(313) 946-5180

May 6 1981

Mr. C. T. Folk
Downriver Community Conference
3131 Biddle Avenue
Wyandotte, MI 48192

Dear Mr. Folk:

As I have indicated to you previously, we are extremely pleased with the CETA program as it is currectly established.

We are a new company and the help you have provided has had a favorable impact on us. The screening job performed by your organization has been extremely valuable to us. As evidence of this, from the group of trainees sent to us (five in total), one has been elevated to a supervisor in the plant and another holds a key accounting position with us. Neither of these individuals had previous backgrounds in their respective areas. However, they've been extremely "trainable" and are working out fine.

You, your organization and your program have been very helpful to us. We look forward to placing more people in our plant, as the need arises, through CETA.

Sincerely,

Robert E. Liberi
President

mp

WALKER-NEER MANUFACTURING CO., INC.

POST OFFICE BOX 2488
WICHITA FALLS, TEXAS 76307 U.S.A.
CABLE ADDRESS: WALKNER TELEX: 734411
TELEPHONE: 817 723-8711

DRILLING EQUIPMENT FOR THE GROUND WATER, MINERALS AND PETROLEUM RESOURCES INDUSTRIES

May 8, 1981

Mr Marshall Goldberg, Deputy Director
Down River Community Commision
140 Superior
Wyandotte, Michigan 48192

Dear Mr. Goldberg,

Walker- Neer Manufacturing Company is a manufacturer of automated drilling rigs used in the exploration for petroleum, water and minerals. Due to the expanded activity in energy drilling, our business has grown and the need for skilled personnel increased. Unfortunately, skilled labor is virtually unobtainable in North Texas.

Sometime back we were contacted by Jim Henry of your organization, informing us of the availability of labor in the Detroit area. Likewise he informed us of the programs underway to assist unemployed individuals find new affilaitions. At Jim's invitation,I visited your facility several weeks ago and talked with a number of prospective employees, several of which should be joining us the week of May 11.

Personally I am pleased to see the type of program you are administering. Industry sorely needs qualified individuals in many categories including welders (arc and wire), machinists, tool and die makers, draftsmen and maintenance workers. It is important that all craftsmen be capable of reading and working to engineering drawings. It was gratifying to learn of the reorientation programs in progress at the local community college, which I believe is under your administration. Keep up the good work as there is a genuine shortage of qualified craftsmen in many industries today. Current statistics indicate this shortage will become more acute through the 1980's.

I enjoyed working with Jim Perry and Dick Cwston. They were very helpful and most cooperative in screening applicants and arranging interviews. As they may have informed you, I am planning to return to Wyandotte the latter part of May for additional interviews with individuals currently in the retraining program.

The cooperation of your entire organization is greatly appreciated. We look forward to a continuing relationship.

Very Truly Yours,

John R Mason
Corporate Director

WALTER MACHINE AND SCREW COMPANY
SPECIAL SCREW MACHINE PRODUCTS
Office and Factory
3104 WOODBRIDGE STREET EAST
DETROIT, MICHIGAN 48207
PHONE: (313) 259-3370

August 5, 1981

Frank Eichenlaub
Downriver Community Conference
140 Superior
Wyandotte, Michigan 48192

Dear Mr. Eichenlaub,

The training program that the DCC and Tompkins Products conducted was excellent. We feel this way because of the fine job Carson Stoddard has been doing for our company. The training on automatics and basic tooling you gave him allowed him to pitch right in and help us get "parts out the door" as soon as he came on board. We hope this program continues so we have a place to look for future employees with equally good training.

Sincerely,

WALTER MACHINE & SCREW CO.

Rick Neumann

Rick Neumann
Vice-President

RN/mc

Woodbine Tool Corporation

TELEPHONE: 326-3610 - 11

30021 BEVERLY PLACE
ROMULUS, MICH. 48174

May 8, 1981

Mr. Leroy Reno
Job Developer
Downriver Community Conference
140 Superior
Wyandotte, MI 48192

Dear Mr. Reno,

I'd like to take a moment to say thank you for the employees you have referred to our company. These five employees are capable people who are both willing and able to work.

As a small business owner, it is critical that each of our people be an effective worker. The On-the-Job Training and prescreening that you provided on behalf of these employees saved us considerable time and expense. Of particular importance was the machinist course and other training programs attended by two of our employees.

Your program shows that government can help the business community. The services of the DCC are a real asset to companies such as Woodbine Tool.

We hope to continue our working relationship and we will contact you before we hire any additional employees.

Sincerely,

Edward A. Christie, Jr.
Vice President
Woodbine Tool Corporation

American Screw Products Company
Fine Automatic Machine Products
33001 W. Nine Mile Rd. at Farmington Rd.
Farmington, Michigan

July 21, 1981

Marshall Goldberg
Downriver Community Conference
140 Superior
Wyandotte, MI 48192

Dear Mr. Goldberg:

I commend your organization for the interest you have taken in furthering the development of apprentice screw machine operators.

Jonathan Thomas and I observed the class at Tompkins Products and subsequently hired one of the trainees who is working out to our complete satisfaction.

There is a definate need for this type of program and I wish you every success for it's continuation.

Sincerely,

George C. Luckwald
Vice President

GCL/kja

## 1979 - 82 EMPLOYMENT LEVELS OF MAJOR EMPLOYERS IN DOWNRIVER AREA

| Company | July 79 Employment Level | July 80 Employment Level | Jan. '81 | NOTES | Employment Level Anticipated by 1982 |
|---|---|---|---|---|---|
| BASF | 1,770 | 800 (Northworks Plant) | 800 | -Southworks Plant Closed -Boiler Plant to close | 580 |
| Chrysler Engine | 2,700 | 3,100 | 2,700 | - | 2,500 |
| Chrysler Chemical | 550 | 280 | 280 | Scheduled to close '83 | 200 |
| DANA Corp. | 900 | 0 | 0 | Plant Closed | 0 |
| Firestone Tire | 1,200 | 650 | 578 | Plant Set to Close | 0 |
| Ford Casting (Flat Rock) | 4,800 | 2,700 | 2,821 | Plant Closed | 0 |
| Ford Parts (Brownstown) | 1,500 | 841 | 907 | - | 907 |
| Ford Stamping (Woodhaven) | 4,600 | 2,900 | 2,768 | - | 2,768 |
| Great Lakes Steel | 10,500 | 7,500 | 7,500 | - | 7,500 |
| Karamazin | 300 | 250 | 225 | - | 225 |
| McLouth Steel | 5,000 | 2,500 | 4,023 | Temporarily Closed- Filed Bankruptcy | 3,842 |
| Pennwalt | 762 | 566 | 566 | - | 566 |
| Vulcan Mold & Trim | 277 | 195 | 186 | - | 186 |
| Whitehad & Kales | 1,200 | 380 | n/a | - | n/a |
| Fabrican Auto Products | 210 | - | 80 | - | 80 |
| American Sunroof | 900 | - | 300 | - | 300 |
| | 37,169 | 22,662 | 23,736 | | 19,654 |
| | July 1979 | July 1980 | Jan. 1981 | | |
| | | 61% of July '79 Level of Employment (29% workforce reduction) | 64% of July '79 Level of Employment. (36% workforce reduction). | | 53 % of July '79 Level of Employment. (47% workforce reduction). |

Projected level of employment in '83 is 15,612 or 42% of July '79. (58% work force reduction)

REVISED

ROBERT I. BOVITZ
MAYOR
COUNCIL
WILLIAM D. BUSHMAN, JR.
MAYOR PRO-TEM
EDWARD M. HEFFNER
WALTER WARD, JR.
VINCENT J. PORRICA
JOHN P. KRZEWICZ, JR.
RAYMOND L. GUILLOUETTE
MARILYN F. REYNOLDS
CLERK

# CITY OF TRENTON

2800 Third Street at West Road • Trenton, Michigan 48183-2992

DOWNRIVER COMMUNITY CONFERENCE
BEFORE THE
WAYS AND MEANS COMMITTEE OF THE
UNITED STATES HOUSE OF REPRESENTATIVES
DECEMBER 8, 1981
DETROIT, MICHIGAN

Mr. Chairman and Members of the Committee:

I am Robert Bovitz, Mayor of Trenton, Michigan and Treasurer of the Downriver Community Conference, (DCC), a cooperative organization of the governments of 14 cities and townships along the Detroit River in Southern Wayne County.

I speak to you today, in the area of my expertise - my constituents and my community. What I say about them is indeed a composite of the constituents and communities that make up the DCC area.

My constituents are the basic working Americans. They are skilled, unskilled, retailers, service providers, and professionals. They have worked hard and regularly all their lives. They own their own homes - they and the mortgage company. In our local banks, they maintain savings accounts to put their kids through college or for retirement plans.

They belong to a church, several community organizations, and they are generous to local charities.

They scream at me when I pay the police too much, at the school board when they raise the teacher's salaries. They complain about the condition of the roads, the cost of water, and any zoning changes in their neighborhoods. They also go to the polls and vote millages for those same schools and for our community needs. They pitch in, uncomplaining, when the community has a storm, snow, or flooding emergency.

They <u>are</u> the basic source of the Federal and State Revenue known as the income tax. They <u>are</u> the basic source of the local income known as the property tax. When <u>you</u> told them to save energy, they insulated, turned off lights, cut wood, and dialed down.

They are proud of their communities, their state, and their country. Their plans for work and retirement are firm. They know who they are and where they're going.

Or they did!

Beginning in May, 1980, with the closing of 4 major industries, 5,000 of these constituents will have been abruptly and permanently unemployed. The major industries remaining have reduced their labor force by 20%. Eventually, with each of these jobs goes two or three retail and service jobs. DCC represents 270,000 people living in 100,000 homes. Today, 14,000 of those homes are devastated. They have become the <u>new poor.</u>

My constituents feel betrayed by the companies to which they sincerely believe they have given their sweat, their loyalty, their all.

My constituents feel betrayed by their country. They have followed all the rules of the American dream. They have worked, paid their bills and taxes, voted, and lived within our laws. Suddenly, not only the rug, but the whole house has been pulled out from under them.

They are no longer the provider. They scorn welfare as they have all their lives. They know that the replacement job is not out there. They feel scared, adrift, naked, and alone.

How has my community responded to their needs? Through DCC, we started in May of 1980 to prepare for the obvious coming problems. The 14 communities of DCC have long experience in working together on problems. Since 1967, our mayors and supervisors have been meeting monthly to downsize the cost and the trauma of common problems by sharing, by joint effort, and by creativity.

Our efforts to meet the developing crisis started immediately. To start resolving the long-range problem, we formed an economic development task force, made up of all segments of the business and government community. Based on our joint assessment, we have established seven programs.

Working with our Southern Wayne County Chamber of Commerce, we have two programs which seek to correct current deterents to a good business climate in our DCC area. The first consists of intense and insistent lobbying to get changes in State Legislation which will make our whole state more competitive. The second is the establishment of business retention teams to visit all industry and large commerce in the hopes of preventing any further closings.

The other five programs are attempts to attract new and diversified business. First, there is a common marketing kit and program selling the assets of the DCC area. Second, we are hiring a full-time industrial realtor who will match available industrial sites with potential customers, maintaining the necessary data, seeking out possible clients, and assisting with location problems. Third, is a joint approach to the hazardous waste problem with regional technological advice, siting evaluation and citizen's committee. Fourth, is the support of those development plans which individual communities have started. Chief among these is "Frenchman's Cove", a river-oriented development, assisted and supported by the Federal Regional Council. Fifth, is our Business Assistance Center, which works with small and medium sized companies to help them win Federal civilian and defense contracts. These are companies which are reporting to us that they are operating at 50-70% of capacity. We have developed a program to help them break into the Federal Procurement System.

Our efforts to meet the needs of our "new poor" constituent also started immediately. We applied for, received, and implemented a national demonstration program of the U.S. Department of Labor for employment and retraining. The grant is designed to assist workers displaced through the four major industry closings. Not all of these workers are a part of our constituency. Many of them are Detroiters and they also live all over the Metropolitan area. Basically, the project allows us to help these workers find new careers in growth occupations. It includes retraining and re-education given through our community colleges, private organizations and employers. Workers displaced from other job sources have been helped through our On-The-Job Training Program, which pays monies to private employers during their training period.

Last year, through the National Demonstration Project, we put 414, or almost two thirds of the persons in the program, back to work. Not at quite the wage they'd earned before, but pretty close. The average $7.40 per hour they are earning now compared to the previous average of about $9.50 per hour shows that people can start over again. They are back to work and they are at a level where they are not competing with young people just entering the job market at minimum wages. And almost 90% of them are working here. They did not have to leave their home, friends, churches, and schools.

These workers contact us through our Unemployment Hot Line, for the last 17 months, we have been getting an average of 30 plus calls each workday. Of 2,015 calls last month, 39% needed jobs or training. The remaining 60% dealt with all the other problems that accompany unemployment.

As part of our grant program, we have setup a referral data bank which includes 2,000 DCC and Metropolitan area social services agencies and the particular services each offers.

We question our Hot Line callers in detail about their problems and assist them in finding the correct agency for relief. Usually, we give them 3 sources. We also follow-up all our calls to make sure they have been helped.

Drug problems have not increased, but alcohol and mental health problems are increasing daily. One of our Spouse Abuse Programs, First Step, reports a steady increase in this problem. Our DCC area had 249 contacts at First Step last year, with 271 this year through November and the Christmas season yet to come. The fact that the husbands are at home more increases the frequency and severity of abuse.

We are a screening service in the DCC area for the Metropolitan "Health Service Referral Network". Providers are serving the unemployed for free or at reduced charges. Every hospital in the DCC area and 47 doctors are part of this. The head of our State Department of Health is organizing the State's pharmaceutical firms to provide free drugs. Our County Health Department is giving free pre-employment physicals.

DCC has served as a catalyst in the consolidation of all social service agencies in the DCC area. As demands increase and funding is cut, they have all recognized the wisdom of cutting administrative costs by sharing, by joint effort, and by creativity.

On an individual basis, our communities are one year into a possible economic shutdown. Our local revenue has come from property taxes, State Shared Revenues, Federal Revenue Sharing, Grants, and CETA. A large portion of CETA, of course, is gone, and because our State of Michigan is in trouble, we have had cuts this year in State Shared Revenues with much deeper cuts programmed for the next year. Most of the grant programs have expired. Because the plight of the 14,000 unemployed pervades the area and because all our constituents feel overtaxed, an increase in local property tax is not an option. If you take away Federal Revenue Sharing, it will be the death blow to stable local economy.

We are down to the providing of only essential and mandatory services. If revenues continue to drop, responsible maintenance of expensive facilities will be the next to go. This includes roads and bridges, sewer and water facilities, buildings and vehicles.

As Washington and Lansing abandon programs, we are <u>not</u> unwilling to take care of our own people. In fact, we think we can do it better and cheaper - with the addition of some discretionary funding. For example, our efforts in this crisis have been extensive, caring, and preserving of dignity. But we are limited in funding, so we have reached only 1,300 when 14,000 are in need.

My constituents have changed. Their pride took a beating when they had to stand in line for an unemployment check. It gets a knock-out blow when they have to go on welfare. If they want to try to move where the jobs are, they are trapped because they cannot sell their homes while the interest rate is high. They're kids are not going to college (our State Universities report substantial drops in enrollment). Their kids cannot find even part-time jobs.

They no longer produce revenue for church contributions, the United Foundation, income tax, sales tax, retail sales. As they run out of employment funds and savings, home foreclosure looms. An officer in our largest savings and loan states the evidence is emerging of future foreclosures staved off until now by sub-pay, unemployment, and TRA.

National policies in every field - economics, trade, defense, regulatory procedures - could be better coordinated and not at war with each other. They must improve and they must focus on my constituents.

They do not want a handout. They want a job. They want their dignity and self-confidence back.

They are my community. They are AMERICA.

The Downriver Community Conference thanks you for the invitation to appear. I will be happy to try to answer any questions you might have.

CITY OF TRENTON

2300 Third Street at West Road • Trenton, Michigan 48183-2992

ROBERT L. BOVITZ
MAYOR

COUNCIL
WILLIAM E. BUDDINGH JR.
MAYOR PRO-TEM
EDWARD W. HEFFNER
WALTER WARD, JR.
VINCENT J. PERRICA
JOAN P. SIMONICE, JR.
RAYMOND L. CARLOVETTE

MARILYN P. REYNOLDS
CLERK

Mayor Robert L. Bovitz is in his fifth year as mayor of Trenton after serving nine years as councilman.

Mayor Bovitz is immediate past chairman of the Southeast Michigan Council of Governments and serves as SEMCOG finance committee chairman. He also serves on the Michigan Municipal League board of trustees and is chairman of that organization's State Finance and Taxation Committee. Bovitz was a charter board member of the Downriver Community Conference and has been its treasurer since it inception.

Bovitz, a certified public accountant, is president of the Robert L. Bovitz C.P.A., P.C.

STATEMENT OF TONY CLAYTON

RESIDENT OF WYANDOTTE, MICHIGAN

BEFORE THE EDUCATION AND LABOR COMMITTEE

March 26, 1981

Good Morning Mr. Chairman and Members of the Committee: I am Tony Clayton, a resident of Wyandotte, Michigan in the suburban Detroit area. I am pleased to be able to be here before you to talk about my experience with a CETA Retraining Program.

I am 37 years old, married, and the father of three children. I worked for 14½ years for the DANA Corporation truck frame plant in Ecorse, Michigan. The DANA Ecorse plant produced light truck frames for the automotive industry.

I began at DANA as a car blocker, and was promoted to assembler. As a member of a production team assembling the truck frames I was responsible for operating mechanical assembly equipment. I was cited by top management for superior workmanship and attitude, and working under a salary-incentive program I was able to average $9 per hour. My base pay was $7.86.

I felt secure in my position, my wife and I felt we had everything planned out. I was buying more of the company stock, knowing that my kids were getting older and everything was getting more expensive.

Then our plant, which had been around since the 1920's closed last July because production was shifting to more modern plants and there just wasn't the demand for our frames anymore.

It was really a blow to me. My wife broke down and cried and we thought it was the end of everything we'd worked for in the last 15 years. I was feeling very depressed and we were upset when everyone kept suggesting that we sell our home, take our daughters from their neighborhood and move down south. Both my wife Susie and I have grown up in the Wyandotte area, and we didn't want to leave all our friends, family and our past.

I had job offers at other DANA plants in Chicago and Texas, but the pay scales were so much lower that it didn't seem worth it. When I thought of relocation it was only as the very last resort, so I decided to stay and look for work - even if it was at a lower wage than I made at DANA. I really had a hard time looking for work and became pretty hard to live with at home too.

In August I read about the CETA Retraining Program, offered by the Downriver Community Conference, in the Wyandotte paper. I didn't think I would qualify, but was downtown one day and decided to stop in and ask about it anyway.

From that time, things began to change for me and I started to feel like somebody cared. I was able to talk to a counselor about what I had done and some of the things I might want to do in the future. I was given tests to help me decide which kinds of things I would be best at.

The most important thing is that I learned to build my own confidence. In the Job Clubs it felt good to let out my feelings, everyone there was in the same boat, not like at home where the family couldn't really understand. We never had to go on interviews before, and now we were getting lots of ideas on how to sell ourselves.

When I was going through this program, I decided that I really needed something else - some new skills to get a job. Through the CETA program I was able to take a 16 week welding course and still have time to look for a job. I would never have been able to do it if I wasn't in the CETA program, because they paid for the course at Wayne County Community College and even offered it on weekends. I started at the end of August and was finished just before Christmas in December. I was able to still attend Job Clubs to learn about interviewing and talk with Job Developers who were trying to help me find employers.

In January I took a job at Cathodic Electrocoating in Ecorse as a working leader. They are a new, small company which started operating in January in the downriver area.

When Jerry, who is the job developer who worked with me, sent me on the interview he stressed "confidence" and reminded me to sell myself. I remembered everything I learned in the Job Clubs and felt good about my interview.

Being back to work again gives me a really great feeling, and to be able to stay in this area is an extra too. I like the idea of being with a new company and am learning about all the jobs in the area which I will be responsible for once we are in full production every day. Cathodic has developed a new process for coating parts. My starting salary here is $6 per hour and I am real confident that this is a chance to grow and prove myself with a new company.

I feel so much better now about my future then I did before I became involved in the program. Now I have some new skills and feel good about myself, and I know that I <u>can</u> interview and find work. I'm also very happy about being able to stay here where we feel we belong.

Everybody at home is doing better too - especially my daughter who became my whipping post whenever I was frustrated after I was laid-off. She jumped for joy when I got the job!

Even my wife appreciates the good changes this CETA program has made in our lives. She even overheard someone talking about the program while she was out one day, and she told them to get over to the DCC and take advantage of something that can really work for you.

Mr. Chairman and Members of the Committee, this program has obviously meant something to me, I just wanted to tell you that I know it works and I hope others will continue to have the opportunity that I had - so they can start working again.

FOR INFORMATION CONTACT: Richard Buss
Business Assistance Manager
(313) 281-0700

# THE DOWNRIVER COMMUNITY CONFERENCE'S BUSINESS ASSISTANCE PROJECT 1981 - 1982

## EXECUTIVE SUMMARY

### INTRODUCTION

The Downriver Community Conference (DCC) has opened Michigan's first complete resource center staffed to help firms obtain defense related business.

The DCC is utilizing its national demonstration Economic Readjustment Project to support a major effort to increase business activity and employment opportunities. The overall focus of the effort is to bring specialized manpower training to the aid of auto-related firms operating below capacity. Retrained workers, brought back by firms diversifying into defense related production, will be able to remain and support their communities. The social and economic costs of labor dislocation can be minimized if Midwest firms can make their production capacity and experience available in the expansion of the Nation's defense industrial readiness. It will make little sense to allow major elements of an entire industry to remain idle while defense procurements go unfilled, become inflated in price, or go to foreign sources.

THE PROBLEM

Once the "Arsenal of Democracy", our section of the country has been losing procurement contracts at such a rate that our share has dropped from 59 percent in 1955 to 40 percent today. For Michigan, the situation is even worse with only 1.6 percent of defense expenditures occurring here.

In the Downriver area of Wayne County, productive and skilled workers, with strong community ties and investments have been laid-off and they and their families often have been forced on to government support programs. A DCC survey of the major 16 Downriver industrial employers shows that a reduction in jobs of 36% (13,435) has occurred in the period from 1979 to January, 1981.

The free market response to this situation that assumes the absolute (and "free") mobility of labor leads to urban sprawl on a national scale. Making no attempt to moderate the economic dislocation of the Northeast and Midwest and ease the economic readjustment that many persons must face ignores the regional investment in schools and homes which will have to be duplicated as established areas are abandoned. The social and economic costs to families from prolonged, and unnecessary unemployment,may be moderated by increasing federal contracts in the area.

A SOLUTION

The development of the Business Assistance Project was the outgrowth of the DCC's participation in a highly successful procurement conference in May, 1981. The DCC conducted a follow-up survey of 232 companies. Over 25 percent responded and 95 percent of them needed further assistance with defense contracting.

The Conference recognized that another opportunity might be present for an organization with retraining capabilities, skilled workers to place, experience with federal regulations and contracting, and active links with private industry and economic development agencies. As the Northeast-Midwest Institute noted, "There must be an individual or group available and prepared to exert continuing leadership in formulating economic development strategies and seeing that they are carried through."

The difficulties facing small businessman attempting to respond to the federal procurement system, was well summarized by a response to the DCC survey:

> "I started off very enthused...but it got too time consuming. We could do the job, but we couldn't understand the specifications, when we could get them in time to bid."
>
> Mr. Don Townsend, Weld-Rite
> Flat Rock, Michigan

The decision to develop a specialized defense contracting capability and in-house expertise is predicated on the possibility of industry expansion and the availability of Downriver

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A SOLUTION (Continued)

resources, e.g. skilled labor, the industrial infra-structure, surplus and assured water, low-cost energy, and ready industrial sites. Priority DOD contracting to labor surplus areas such as Michigan makes a concentrated targeted effort timely and warranted.

The Business Assistance Project includes three broad areas of effort: 1) operating a Resource Center for use by firms in Southeast Michigan, 2) providing direct bidding services to qualified participating firms, and 3) assisting in the coordination of economic development and industry specific training for expanding businesses. The test of the project will be determined by the number of participating firms winning their first government contract, the value of the these contracts, and the value of the new employment compared to the cost of the project.

THE DOWNRIVER BUSINESS CENTER
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Wyandotte, Michigan 48192
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Richard Buss
Business Assistance Manager

DETAILS OF A MILITARY SPECIFICATION BEING EXPLAINED

A variety of federal programs administered through different departments and agencies, when used together or combined with state and local incentives and private-sector capital, can help initiate the recovery of economically distressed communities.... Although developing an integrated approach to economic development---with the careful use of diverse federal, state and local resources coupled with private-sector initiatives--is complicated and painstaking, and requires a high degree of coordination, the longterm benefits to a community are likely to be greater.....

The Northeast-Midwest Institute

Senator QUAYLE. The next witness is from the city of Anderson, Ind.—the mayor of that town, the Honorable Thomas R. McMahan.

**STATEMENT OF HON. THOMAS R. McMAHAN, MAYOR, CITY OF ANDERSON, IND.**

Mayor MCMAHAN. Well, I guess it is good afternoon now. I enjoyed very much the discussion from the Downriver Community Conference people and I expect to hear more from them from a visit up there.

I believe, Senator Quayle, that every man and woman who is participating in this hearing shares a common concern for communities that are impacted by unemployment. Furthermore, we all continue to search for the solutions to the human hardships which have been mentioned in the last two testimonies and the economic disruptions which this situation imposes.

As you say, my name is Tom McMahan and I am mayor of Anderson, Ind. Now, our town is now entering the third year of severe unemployment, and let me assure that the passage of time may strengthen the resolve, but it hardly mitigates the pain and the problems and the hard realities of being without a job and running out of benefits.

So, I welcome the opportunity to share our experiences and our plans and our hopes with this Subcommittee on Employment and Productivity. Hopefully, we can learn from one another.

To bring matters into perspective, Anderson, Ind., is a city with a population of 65,000. We are the county seat of Madison County, which constitutes the Anderson SMSA, with a population of about 140,000 people. Of a labor force of 56,600 on November 1, 1981, our unemployment rate was 14.5 percent. Now, we share top honors in Indiana with our sister communities of Muncie and Kokomo, all about 3 percent above the Indiana State jobless rate. Indiana's unemployment is the second highest in the Nation, second only to Michigan, and we all share in the heavy dependency on the auto industry.

We are a General Motors town and proud of it. Both Delco Remy and Guide Divisions had their origins in Anderson in the early 1920's. Several generations of Andersonians have made their livelihoods at Delco Remy and Guide. Thousands are now enjoying comfortable retirement benefits. We learned to depend upon these plants; some say we took them for granted.

In June 1979, employment at Delco Remy stood at 15,300 people. Today, employment is about 9,000. A production worker needs 17 years of seniority to stay on the job. Guide's employment in June 1979 was 6,000, and after a layoff of 135 employees just this past Friday, Guide's total employment in Anderson is approximately 4,300. Other manufacturing plants in Anderson constituting a total employment of about 2,500 a year ago are also experiencing varying degrees of unemployment.

But one thing that has not been mentioned today, I do not believe, is the ripple effect of unemployment in the nonmanufacturing areas. The ripple effect can be quite serious. In our case, we probably have over 2,500 unemployed that never saw the inside of

a Delco Remy or a guide and who never drew SUB pay or TRA benefits.

Now, these are just some very simple, cold statistics on unemployment in the Anderson community, but they represent real people with families, homes, obligations and hopes for a decent, productive future. It is the compassion for the people that motivates us on this cold January day.

I am a mayor that has his name and number in the phone book and a telephone by his side. Sure enough, last night at about 2, a lady called; she had no electricity. Now, you do not tell that person to call an electrician, and I am sure she was well taken care of before she got too cold, I hope.

But I think, Senator Quayle, that this is the true perspective of the thrust of this hearing—these people—and this is why I am here.

Now, broad-brush solutions to our unemployment problems which are beyond our local control would be: No. 1, maintaining the present level of Federal funding on those cost-effective economic enhancement programs until decontrol and methods of funding at the State and local levels can be accomplished. I am referring to such things as community development block grants and urban development action grants and some of the EDA programs that are still left.

In other words, I am saying that there are many things that we can do better, more responsibly and for less money at the local level, but just give us the time to get organized and provide us the funding to do it.

No. 2, support the private sector in its efforts to improve productivity, reduce costs and expand job opportunities for American workers. This includes removing unnecessary controls and regulations which add to the cost of our products. In this regard, I particularly urge the passage of H.R. 5252, which revises both the stationary and mobile source provisions of the Clean Air Act.

Emission control equipment on new cars now averages more than $700. If H.R. 5252 is approved, this cost could be reduced by some $300 per car and not hurt our environment.

No. 3, encourage labor and management to work cooperatively to reduce noncompetitive labor costs throughout the automobile industry. I think Friday's decision by the United Automobile Workers to enter into discussions with both General Motors and Ford on reopening contracts is a very hopeful and a very favorable sign.

No. 4, as we all know, for Pete's sake, bring interest rates and inflation under control.

I would like to address employment and training needs, too. To meet the vital needs for a continuing and responsive employment and training system in our area, we urge that the Comprehensive Employment and Training Act be maintained at least at its fiscal year 1982 funding level.

Speaking in my own behalf, the board of our Madison County commissioners, my fellow mayor, Max Branch, of Alexandria, a town of 5,000, my fellow mayor, Web Morris from Elwood, a town of 15,000, and the private sector, this organization has proved that it can react countywide to the needs of the local citizenry and the business community.

All employment and training organizations in our area, including the Anderson Area Vocational School, Indiana Employment Security Division, Ivey Tech, the apprentice programs, and the regional campus of IU-PUI, Ball State and Anderson College, to name a few, work hand-in-glove with the private sector in a productive partnership. Employment and training services are in place in Anderson, Ind.; what we need are job opportunities.

I have specific recommendations regarding the CETA reauthorization, including retaining the current prime sponsor system, retaining title IV youth programs. I wish you would observe our career resource centers in our three high schools, which are especially useful and popular.

The summer youth program is enormously beneficial to our youth, especially minorities. I have not heard one peep out of anyone today about minorities. In our town, I suppose we have about 10-percent minorities. If we have 15-percent unemployment, you can double it for minorities; gosh knows what it would be for minority kids. So, I think this is very important, Senator Quayle, that we have a summer employment program this summer.

No. 5, I hope we retain the title II-B training program, including the private sector initiative program, on-the-job training, remedial training and OAR.

No. 6, I hope we strive for funding on a multiyear basis to improve planning and coordination in delivery of services. Now, it is my understanding that the 1982 budget of our CETA office is half what it was in 1981, and we feel that is adequate; we are saying let us hold it at that point at least for the time being.

Now, we have local strategies in our town. Our primary problem is massive unemployment in the automobile industry, precipitated by high costs, high interest rates, and insecurity created by a general recession. Our secondary problem is a lack of diversity in employment opportunities. Our need is to retain and expand existing business and industry and diversify our economic base by recruitment of new business and new technology.

During the past 2½ years, we have organized local development corporations to bring together the resources of local government, labor, business, the professions and business and community organizations. We have coordinated these local resources and efforts with those of our State and Federal agencies responsible for employment, training and economic development. This includes all of our city departments, the Indiana State Department of Commerce, the chamber of commerce, the United Auto Workers, OIC, CETA, the Private Industry Council and Area Vocational Training School, and many others. During the past 3 years, we have committed about one-fourth of our community development block grant funds to economic development, and we will do so this year.

Some of the things that we do to encourage economic development would include: Rehabilitate older industrial buildings for occupancy, and I think all towns have them; provide local property tax abatement on real and tangible personal property to qualified business and industry. We approve tax-free industrial revenue bonds for qualified business and industry.

We conduct employer meetings and seminars to explain the available incentives and services to employers and how they can

qualify. We provide technical assistance to new business and industry formation. We make loans and guarantee and pay interest subsidies for small and minority businesses, and we are now in the process of putting together several new technology firms that nave promise of strong market possibility.

Now, we believe that our massive cooperative effort toward economic development will, in the long run, prove productive. However, the stabilization of employment of existing firms, particularly automotive, is essential.

I think at this point, Senator Quayle, before you ask me what our thrust should be—whether we should try to build up our automotive industry again or concentrate on new industry—I would say we have to do both, and I say we do not dare even think about giving up on our automobile industry. An industry that provides 1 out of 6 jobs in the United States, I understand, will be hard to replace with anything or any combination of anything that I can think of. So, I hope that nobody has that idea.

Are we playing by the same rules? Our learned councilman, Bob Hooker—I am talking about our hometown—offers a unique solution to narrowing the cost differential between foreign-made cars, particularly Japanese, and American-made cars. Now, the oftenquoted figure of $1,500 speaks loud and clear to the pocketbook. Bob contends that we are not playing by the same rules, and he is right.

Now, there is a wide difference in the standard of living between Japan and the United States, and we all know that. The difference between payroll-related items and benefits in an automobile between Japan and the United States, I understand, can be as much as $8.95 an hour. If it were only $6 an hour, think of the impact.

Now, neither side is about to change its standards; I do not think the Japanese are and I know darned well we are not. We do not want to; we should not have to. Now, Bob says that if we intend to stick to free trade and no hefty tariff barriers, then we should do like some foreign countries and impose some sort of a user excise tax, imposed at the point of sale each year. Now, this would bring the rules nearer into line.

So, I suppose while we are all watching the Cincinnati Bengals and the San Francisco 49'ers slug it out at the Silver Dome 2 weeks from yesterday, remember that they are playing by the same rules.

So, finally, Senator Quayle, if it occurred to me—and I am just the mayor of a small town; I went to college a long time ago—it has taken a good number of years and a combination of circumstances and lots of mistakes to get in the pickle that we are in, and I say it is going to take a little time and a combination of solutions and probably a few more mistakes to get out of it. But I think we must move ahead with vigor.

I really want to thank you for the privilege of representing my town of Anderson and Madison County here today. I thank you.

Senator QUAYLE. Thank you very much, Mayor, and I can assure you that we are not giving up on the auto industry. We are going to continue to promote activity in that industry, as well as in other industries in this country.

You say move ahead with vigor; I could certainly concur with that. I have a few questions I would like to ask you to solicit a dif-

ferent perspective, and learn more about the human aspects of unemployment.

I was struck by your mention of the fact that you have a listed telephone and that people call you up frequently, as one did last night. Can you tell us what is happening to the unemployed autoworker today in Anderson?

I am sure you see them at the coffee shops; I am sure you visit the factories, as I do when I am there. What is happening to their lives? What are they doing? How are they supporting their families? Can you describe a little bit for the committee what is happening?

Mayor MCMAHAN. Well, Senator Quayle, I will try, but I guess unless you are blind, you cannot see what it is like to be blind. Unless you are unemployed, you cannot see what it is like to be unemployed, but I do talk and speak with a lot of them and I am sorry that there is not someone here today representing the factory worker.

You have got to realize that when I say that it takes 17 years of seniority to be employed at Delco Remy today, that means that the people who are laid off are the younger ones. These are the ones with families, and so forth. They probably are just beginning to buy a house; they have very little equity and probably owe a lot of money, and so forth. They have got to do something.

Up until this year, of course, with SUB benefits and TRA, they got along pretty well, but that is gone now. Now, a lot of them transferred to other General Motors plants throughout the country; Oklahoma City was an ideal example.

Now, the fact remains that people do not like to pull up stakes and leave their hometowns, particularly when it is hard to sell that house that they just started making payments on. If they go to Oklahoma City and their families stay home, the old man sits around over weekends wishing he were back in Anderson.

So, that is a traumatic experience; it separates families. A lot of them came back. Of course, now, the unemployment has proliferated and some of the jobs in Oklahoma City have been exhausted, so they are back again. So, that has happened to some of them.

In a lot of families, there are two people that work, so they are getting along on, you might say, a pittance. I would say that the thing that makes me proudest of my community—and I am very sincere about this—I have not seen mothers' milk dry up in our town. I know there is hardship, but people rally together when things get tough. I am talking about churches and every organization you can imagine.

The UAW had its own crisis center. I am sorry that the funding they had was not continued, because they did great work. The crisis center worked with my office, the chamber of commerce, the ministerial association and the hospitals. I am trying to say everybody works together and helps one another, but it is tough.

Up to now, I know that house payments have not gone too delinquent; I mean, it has not become a panic situation yet, but it is approaching that point. People cannot make payments on their houses; savings and loans and banks have extended their payments as far as they can. We are going to find out pretty soon what happens in a case like that, and these are things that sort of worry me.

But I would say working together and hope—we know that our plants will never get back to 1959 levels, but we have not given up. We are trying to diversify. We think we have got good bait; we think we have got hooks in the water in the right places. But as the old fellow said, the fish are not biting. But we are ready for it and we are working at it.

We have hardship and it is not a pleasant prospect, but hope springs eternal.

Senator QUAYLE. As far as a hopeful situation is concerned, I believe you recommended a two-prong approach: one, that we do not give up on the auto industry and try to work to revive it; and, two, to diversify and to recognize that we are not going to get back to the days of high employment in the auto industry which we enjoyed before.

Given that scenario, what can be done to encourage retraining? Of course, there is no substitute for new industry coming into a town; I am sure you know that much better than anyone. But should we not be discussing amongst ourselves and with some of these displaced workers new opportunities, new jobs and new vocations? And if so, what can we be doing, say, in a Federal role to assist you at the local level to achieve this?

Mayor MCMAHAN. Senator Quayle, if I were about to set up a new program, again, I would like to see the same programs we have used, if not modified, before we just start setting up new Federal programs.

I would bring in people like the folks that were just here a while ago, and I have got some good people that I am sure could give you lots of good ideas and things that have worked.

The CETA program in Anderson, Ind., has not always been something that I could brag about, but it is now. CETA used to have a bad name and a bad connotation. I think in our community, in my mind, it does not, and it is doing the job. It has sort of had a shakedown period. So, let us just not throw the baby out with the bath water, so to speak.

Senator QUAYLE. Do you see any way to change the structure of the CETA program? As you recall, Governor Mutz was talking about a block grant for voc ed and training, a number of us are trying to figure out a vehicle and a system that would be a way to provide the best delivery of services.

Given the fact that we are trying to orient the States to more responsibility with more flexibility, do you think that is a proper way to move in rewriting and reforming the present CETA system?

Mayor MCMAHAN. Well, first of all, I think I cited the things that I would recommend that are basic, and usually the best suggestions are generally basic. I think with more local control, frankly, we can do a better job. I think we can do it more responsibly and I think we can do it for less money.

Whatever we do, we do not want to forget the myriad of training opportunities that we have in place, not only in my town, but in practically every other town, if people would just get together. This business of "you have your turf and I have mine"—we cannot afford that sort of thing anymore.

I keep talking about maximizing our resources, and I guess that would apply to training resources as well. I do not think we are too

far from what we need; it is just a matter of not trying to reinvent the wheel and using what we have got.

Senator QUAYLE. Thank you very much, Mayor. I appreciate seeing you again and I look forward to working with you, and we certainly are attentive to your suggestions and testimony.

[The prepared statement of Mayor McMahan follows:]

TESTIMONY OF THOMAS R. McMAHAN, MAYOR

CITY OF ANDERSON, INDIANA

Every man and woman participating in this hearing shares a common concern for communities impacted by unemployment, particularly those directly and indirectly effected by the unprecedented slump of the nation's automobile industry. Furthermore, we all continue to search for solutions to the human hardships and economic disruptions which this situation imposes. My name is Tom McMahan, Mayor of Anderson, Indiana. Our town is now entering the third year of severe unemployment. The passage of time may strengthen the resolve but not mitigate the pain, the problems and the daily realities of living with unemployment. I welcome the opportunity to share our experiences, our plans and our hopes with the Senate Subcommittee on Employment and Productivity. You are to be commended for arranging this hearing. Hopefully, we can learn from one another.

Anderson, Indiana is a city with a population of 65,000. We are the County seat of Madison County which constitutes the Anderson SMSA with a population of about 140,000. Of a labor force of 56,600 on November 1, 1981, our unemployment rate was 14.5%, sharing "top honors" in Indiana with our sister communities of Muncie and Kokomo, all about 3% above the Indiana State jobless rate. Indiana's unemployment is the second highest in the nation, second only to Michigan. We all share in the heavy dependency on the auto industry.

We are a "General Motors Town" and proud of it. Both Delco Remy and Guide Divisions had their origins in Anderson in the early 20's. Several generations of Andersonians have made their livelihood at Delco Remy and Guide. Thousands are now enjoying comfortable retirement benefits. We learned to depend upon these plants. Some say we took them for granted.

In June, 1979, employment at Delco Remy stood at 15,300. In September, 1980, the figures were just over 11,000. Today, employment is about 9,000. Guide's employment in June, 1979 was 6,000. In September, 1980, it has decreased to 4,880. After a lay-off of 135 employees last Friday, Guide's total employment in Anderson is approximately 4,300. Other manufacturing in Anderson includes recreation equipment, pumps, glass machinery, mattresses, railroad equipment, springs for furniture and meat and dairy products. Constituting a total employment of about 2,500 a year ago, all are now experiencing varying degrees of unemployment.

It is conservatively estimated that the "ripple effect" of unemployment in the non-manufacturing areas, together with the severely depressed construction industry, exceeds an additional 2,500 people.

These are more than cold statistics on unemployment in the Anderson community. They represent real people with families, homes, obligations and hopes for a decent, productive future. This should be the true perspective, the thrust, of your hearing, Senator Quayle. This is why I am here.

Broad brush solutions to our unemployment problems which are beyond local control:

1. Maintain the present level of federal funding on those cost effective economic enhancement programs until decontrol and methods of funding at the state and local levels can be accomplished. In other words, there are many things we can do better, more responsively and for less money at the local level. Just give us the time to get organized and provide us the funding option to do it.

2. Support the private sector in its efforts to improve productivity, reduce costs and expand job opportunities for American workers. This includes removing unnecessary controls and regulations which add to the cost of our products.

3. Clean Air Act - H. R. 5252. In this regard we particularly urge the prompt passage of H. R. 5252 which revises both the stationary and mobile source provisions of the Clean Air Act. It is not often that Congress has the opportunity to support legislation which continues to clean up the environment and, at the same time, reduce the costs and burdens of achieving that goal. Emission control equipment on new cars now averages $700. If H. R. 5252 is approved this cost can be reduced by some $300 per car.

4. Encourage labor and management to work cooperatively to reduce non-competitive labor costs throughout the automotive industry. The United Auto Workers indicated on Friday that they would begin discussions with GM and Ford this week.

5. Bring interest rates and inflation under control.

Employment and Training Needs

To meet the vital need for a continuing and responsive employment and training system in our area, we urge that the Comprehensive Employment and Training Act (CETA) be maintained at its FY 1982 funding level. Speaking in my own behalf, the Board of Madison County Commissioners and the private sector, this organization has proved that it can react county-wide to the needs of local citizenry and the business community. All employment and training organizations in our area, including the Anderson Area Vocational School, Indiana Employment Security Division, Ivy Tech, Apprentice Programs, etc. work hand and glove with the private sector in a productive partnership.

Specific recommendations regarding the CETA reauthorization include:

1. Retain the current Prime Sponsor System.

2. Retain Title IV Youth Program

   The Career Resource Centers in our three high schools are especially useful and popular.

   The Summer Youth Employment Program is enormously beneficial to our youth, especially minorities.

3. Retain Title IIB Training Program
   Including the Private Sector Initiative Program. O.J.T. Remedial training and O.A.R.
4. Retain Title VII Program
5. Strive for funding on a multi-year basis to improve planning and coordination in delivery of services.

Local Strategies

Our primary problem is massive unemployment in the auto industry precipitated by high costs, high interest rates and insecurity created by a general recession. Our secondary problem is a lack of diversity in employment opportunities. Our need is to retain and expand existing business and industry and diversify our economic base by recruitment of new business and new technology.

During the past 2½ years we have organized local government, labor, business, the professions and business and community organizations. We have coordinated these local resources and efforts with those of our State and Federal agencies responsible for employment, training and economic development. This includes all city departments, Indiana State Department of Commerce, Chamber of Commerce, United Auto Workers, O.I.C., CETA, Private Industry Council and Area Vocational Training School. During the past three years we have committed about one-fourth of our Community Development Block Grant Funds to economic development.

Things we do to encourage economic development:

Rehabilitate older industrial buildings for occupancy.

Provide local property tax abatement on real and tangible personal property to qualified business and industry.

Approve tax-free industrial revenue bonds for qualified business and industry.

Conduct employer meetings and seminars to explain available incentives and servives to employers and how they can qualify.

Provide technical assistance for new business and industry formation.

Make loans, guarantee and pay interest subsidies for small and minority businesses.

We are now in the process of putting together several new technology firms that have promise of strong market possibility.

The process of verifying markets, developing business plans and acquiring venture equity capital and debt financing is time consuming and expensive.

We believe that our massive, cooperative effort toward economic development will, in the long run, prove productive. However, the stabilization of employment of existing firms, particularly automotive is essential.

Are We Playing By The Same Rules?

Our learned City Councilman, Bob Hooker, offers a unique solution to narrowing the cost differential between foreign-made cars, particularly Japanese, and American-made cars. The often quoted figure of $1500 per car speaks loud and clear to the pocketbook. Bob contends that we're not playing by the same rules. And he's right!

There is a wide difference in the standards of living between Japan and the U.S. The difference between payroll-related items and benefits is $8.95 per hour. And neither side is about to change its standards...not much. Bob says that if we intend to stick to free trade and no hefty tariff barriers, then we should do like some foreign countries and impose a use or excise tax, imposed at point-of-sale and each year. That would bring the "rules" nearer into line.

While you are watching the _____ and the _____ slug it out in the Superbowl next Sunday at the Silverdome...remember... they're playing by the same rules.

Thank you Senator Quayle, for the privilege of representing Anderson at this meeting.

Senator QUAYLE. Next, from Indiana University at Kokomo, Mr. Pendse, who is the chairman of the Division of Business Economics.

**STATEMENT OF DILIP PENDSE, CHAIRMAN, DIVISION OF BUSINESS ECONOMICS, INDIANA UNIVERSITY AT KOKOMO, KOKOMO, IND.**

Dr. PENDSE. I did not realize it was going to be so warm here in Washington, D.C.

Senator QUAYLE. Is 15 degrees warm compared to what it is back home?

Dr. PENDSE. Well, when I left Kokomo this morning at 3, it was minus 10 degrees.

Senator QUAYLE. Well, it is warm; though it is comparatively warm.

I appreciate your getting up early this morning and coming out here. I hope you did not bring that cold weather with you.

Dr. PENDSE. Not really. However, it was so cold that I had to wear two pieces of everything.

Senator QUAYLE. I believe you; I believe you. Go ahead and talk about unemployment in Kokomo.

Dr. PENDSE. OK. Well, I want to take this opportunity to thank Senator Quayle for giving me this opportunity to present my views on the problem of unemployment in Kokomo.

Kokomo, a city of 50,000 in north central Indiana, is situated 50 miles north of Indianapolis, the State capital. It is the location of the Fifth Congressional District represented by Senators Dan Quayle and Richard Lugar and by Congressman Elwood H. Hillis.

Kokomo, an industrial hub of north central Indiana, has five major establishments and an infrastructure of 1,600 small establishments. Six out of every 10 jobs in Kokomo are in the manufacturing sector. Out of these 6 jobs, nearly 90 percent are in the transportation sector. Plants of two giants—Delco Electronics, a division of General Motors, and Chrysler Corporation—employ nearly 16,000 people, providing 2 out of every 5 jobs in the city.

Because the manufacturing sector dominates the local economy, Kokomo is a high-wage town. A typical autoworker with a high school education draws between $10 and $12 an hour in the local auto plant.

The jobs in the auto sector form the backbone of Kokomo's economy. Every job in the auto sector supports two jobs in other sectors. Because this sector shifts its gears rapidly in the event of impending recession or recovery, Kokomo's economy runs like a roller coaster.

The recession of 1973–75 hit Kokomo like a thunderclap. The average unemployment rate in 1975 was 15.5 percent. Because of a quick recovery, however, it dropped to 5.6 percent in 1976 and 4.6 percent in 1977. In the following years, the rate zoomed up again to 6.3 percent in 1978, 11.4 percent in 1979, and 15.8 percent in 1980. In May 1980, Kokomo's 22.9-percent unemployment rate was among the highest in the Nation. On the average, 7,000 people per month remained jobless in that year, compared to 2,850 in 1978 and 2,400 in 1976.

In 1981, the average unemployment rate dropped to 12.3 percent, but this drop was due more to a shrinking labor force than due to the creation of new jobs. In December alone, nearly 4,000 people were laid off in local plants, with 3,100 alone from Chrysler's two plants.

Kokomo has lost jobs mainly because of permanent closings of industrial plants, cutbacks in production, and loss of smaller establishments. Just in the past 2 years, Kokomo lost three plants employing 800 people. The plants were closed because of lack of demand for products and because of high labor costs and antiquated machinery and plant facilities. On top of this, Chrysler Corporation trimmed its production in its two plants and laid off nearly 1,500 workers indefinitely. That was a cruel blow to the local economy.

The sagging economy and a bleak future for the auto industry have taken their toll in many ways. Loss of jobs have caused at least 1,000 people to migrate elsewhere. This exodus has reduced enrollments in local schools. In 1981 alone, two elementary schools in Kokomo were closed because of lower enrollments and tight money. Kokomo could lose its SMSA status, and therefore its ability to qualify for Federal funding, if the exodus continues in the months to come.

Retail sales tumbled 15 percent between 1978 and 1980, and general construction activity plunged 44 percent during the same period. On account of a drop in per capita retail sales, Kokomo's national ranking slipped to 176 in 1980, a drop from 13th in 1978.

The housing sector has been badly hit by the economic conditions. In 1980, the number of houses sold in Kokomo was 28 percent below the levels reached in 1979, and 52 percent below the levels reached in 1978. Kokomo's lending institutions experienced a 50-percent drop in both the number and the amount of home mortgage loans granted in 1980. There is one bank in Kokomo that could not make even a single mortgage loan in 1981. In recent years, many local real estate agencies have either closed or merged on account of a sluggish housing market.

Poor economic conditions and increased risk factors have caused Moody's Investor Service, for example, to lower its ratings for Kokomo's municipal and center school district bonds. Since 1979, the food stamp expenditures have jumped 300 percent, and other forms of assistance by 100 percent.

The new cutbacks in Federal spending will bring more hardship to Kokomo. It will force the city to pick up the slack or face an exodus of more families. Already, 42 people have lost their jobs in the CETA program. The abolishment of EDA has adversely affected the expansion of two industrial plants. Discontinuation of several other programs that aided cities in the past has jeopardized Kokomo's ambitious program to revitalize the central business area.

In the face of declining population, loss of business and jobs, eroding tax bases, diminishing Federal funds and general economic hardship, the people of Kokomo are struggling hard to survive. The city officials, the local chamber of commerce, and the concerned citizens are trying to halt the city's downslide. The task of regain-

ing lost jobs is gigantic. Six hundred new jobs will have to be created just to lower the unemployment rate by 1 percent.

There are plans to step up promotional efforts, retain existing industries, attract new ones, seek a sub foreign-trade zone status, and revitalize the economy. In 1981 alone, the city approved $22 million in economic development bonds for the expansion of existing plants and/or businesses.

The new move is more toward high-technology, capital-intensive industries and away from low-technology, labor-intensive industries. The local chamber of commerce, for example, has targeted seven technological companies as potential industries for Kokomo. However, there is a need to retrain laid-off workers for the high-tech jobs. Without such training, the jobs will be lost to others.

Educational institutions like Indiana University's local campus and Ivy Tech have the potential to provide training and education for the laid-off workers. But the workers need financial support, and the educational institutions need funds for personnel and equipment.

Recently, a computer technology program at Indiana University at Kokomo was approved by the Higher Education Commission of Indiana. However, because of lack of funds, its implementation is in jeopardy. The longer we wait, the more we lose.

Programs to attract new industries and to create jobs will bear fruit in the long run. In the meantime, however, the city needs help on a short-term basis on many fronts. Some modifications in the urban development action grant program could help the city get more funds under the program. The current rules for UDAG grants work against high-technology industries. Federal assistance is needed to help speed up the process to grant the enterprise zone funds to Kokomo. Further extension of unemployment benefits could provide relief to many jobless people.

The city of Kokomo is going through a reindustrialization stage. It is seeking the industries of the future, the industries that depend on high technology. It needs assistance in the form of funds for high-tech education, for temporary relief to jobless people, and hope for the future.

Senator, I would like to add a few more things to my written statement; I thought over them last night. First, the official unemployment statistics used in my statement are far below the real levels. My estimate is that Kokomo's real unemployment rate is above 20 percent.

Second, the problem of unemployment in Kokomo is real, it is serious, and it is depressing. The current work force at Chrysler's transmission plant in Kokomo is 50 percent below the peak reached in 1978. Also, the current work force at Chrysler's casting plant in Kokomo is 44 percent below its peak reached in 1978.

Today, anyone at Chrysler with less than 11 years' seniority, young or old, male or female, married or single, black or white, is jobless. A majority of these workers were laid off in 1979. They have run out of TRA benefits, supplementary benefits, and other forms of assistance.

Back in the Depression era, jobless people had very little to lose. Today, however, they have homes, cars, home appliances, and much more to lose. An unemployed human resource is a terrible

thing to waste. The price we are paying in terms of human suffering, family disintegration, loss of dignity, and sheer hopelessness is colossal.

I hope your committee and others will do something to alleviate this human suffering and wastage of human resources. Thank you very much.

Senator QUAYLE. Thank you very much, Dr. Pendse, and I certainly share your concern regarding the loss of human resources which we are witnessing through the devastating high unemployment. Particularly revealing is your last figure of real unemployment that you estimate in Kokomo to be 20 percent.

Dr. PENDSE. For December 1981, official figures are not yet out, but I believe it would be around 16 percent.

Senator QUAYLE. I am struck by your closing paragraph where you talk about the reindustrialization of Kokomo; it says "seeking the industries of the future and the industries that depend on high technology."

Can you give us a couple of examples of the industries of the future and some that may be coming to Kokomo? The mayor back there may be interested in some of them, also.

Dr. PENDSE. Delco Electronics, for example, depends upon many of its suppliers. They supply many of the electronic products, and so they are trying to get those industries in Kokomo so they do not have to depend upon transportation, and so forth. So, we are talking about industries that are going to depend upon electronics. Those are going to be the industries of the future.

Senator QUAYLE. Well, the electronics of Delco Remy would still be auto-related, then.

Dr. PENDSE. That is very true.

Senator QUAYLE. Are there any high-tech industries that we ought to be examining that are not directly related to the auto industry?

Dr. PENDSE. I do not have any answer to that because I do not know particularly which industries, but they are talking about high-tech industries.

Senator QUAYLE. Do you have any idea of the additional training and education that would be necessary for an unemployed auto worker to be trained for a high-technology job?

Dr. PENDSE. I strongly believe so, especially in terms of Kokomo's economy. Since Kokomo is now trying to diversify its economy and trying to attract these high-tech industries, it is time for the people of Kokomo to learn new skills—skills in high-tech jobs. So, there is a need for education for those people.

In fact, 2 days ago I received a call from one of my students. He worked at Chrysler for 2 years. He is out of a job now and he was saying that he does not know what else to do. He is taking some classes at IUK, but the job future is very bleak for him. He is married, he has a kid, and he just simply does not know what to do.

In fact, he mentioned to me that I should tell the committee here what it is like in Kokomo, especially for many of these laid-off workers.

Senator QUAYLE. Very good. Thank you very much.

Dr. PENDSE. Thank you very much.

Senator QUAYLE. We enjoyed your testimony and we appreciate you making the journey here.

[The prepared statement of Mr. Pendse follows:]

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Kokomo, Indiana 46902
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A STATEMENT PREPARED FOR PRESENTATION
AT THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY HEARING
ON THE PROBLEM OF UNEMPLOYMENT IN KOKOMO

Dr. Dilip Pendse

I want to thank Senator Quayle and the members of the Employment and Productivity Subcommittee for giving me this opportunity to present my views on the problem of unemployment in Kokomo.

Kokomo, a city of 50,000 in North Central Indiana, is situated 50 miles north of Indianapolis, the state capital. It is the location of the 5th Congressional District represented by Senators Dan Quayle and Richard Lugar and by Congressman Elwood H. Hillis.

Kokomo, an industrial hub of North Central Indiana, has five major establishments and an infra-structure of 1550 small establishments. Six out of every ten jobs in Kokomo are in the manufacturing sector. Out of these six jobs nearly 90% are in the transportation sector. Plants of two auto giants--Delco Electronics, a division of General Motors, and Chrysler Corporation--employ nearly 16,000 people, providing two out of every five jobs in the city.

Because the manufacturing sector dominates the local economy, Kokomo is a high-wage town. A typical auto worker with a high school education draws between ten and twelve dollars an hour in the local auto plants.

The jobs in the auto sector form the backbone of Kokomo's economy. Every job in the auto sector supports two jobs in other sectors. Because this sector shifts its gears rapidly in the event of impending recession or recovery, Kokomo's economy runs like a rollercoaster. The recession of 1973-75 hit Kokomo like a thunderclap. The average unemployment rate in 1975 was 15.5%. Because of a quick recovery, however, it dropped to 5.6% in 1976 and to 4.6% in 1977. In the following years the rate zoomed up again to 6.3% in 1978, 11.4% in 1979, and 15.8% in 1980. In May 1980, Kokomo's 22.9% unemployment rate was among the highest in the nation. On the average, 7,000 people per month remained jobless in that year, compared to 2,850 in 1978 and to 2,400 in 1976.

In 1981, the average unemployment rate dropped to 12.3%. But this drop was due more to a shrinking labor force than due to the creation of new jobs. In December alone, nearly 4,000 people were laid off in local plants, with 3,100 alone from Chrysler's two plants.

Kokomo has lost jobs mainly because of permanent closings of industrial plants, of cutbacks in production, and of loss of smaller establishments. Just in the past two years, Kokomo lost three plants employing 800 people. The plants were closed because of lack of demand for products, and because of high labor costs and antiquated machinery and plant facilities. On top of this, Chrysler Corporation trimmed its production in its two plants and laid off nearly 1500 workers indefinitely. That was a cruel blow to the local economy.

The sagging economy and a bleak future for the auto industry have taken their toll in many ways. Loss of jobs have caused at least 1000 people to migrate elsewhere. This exodus has reduced enrollments in local schools. In 1981 alone, two elementary schools in Kokomo were closed because of lower enrollments and tight money. Kokomo could lose its SMSA status and, therefore, its ability to qualify for Federal funding, if the exodus continues in the months to come.

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Poor economic conditions and increased risk factors have caused Moody's Investor Service, for example, to lower its ratings for Kokomo's municipal and Center School District bonds. Since 1979 the food stamp expenditures have jumped 300% and other forms of assistance by 100%. The new cutbacks in federal spendings will bring more hardship to Kokomo. It will force the city to pick up the slack or face an exodus of more families. Already 42 people have lost their jobs in the CETA program. The abolishment of EDA has adversely affected the expansion of two

industrial plants. Discontinuation of several other programs that aided cities in the past has jeopardized Kokomo's ambitious program to revitalize the Central Business Area.

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Programs to attract new industries and to create jobs will bear fruit in the long run. In the mean time, however, the city needs help on a short-term basis on many fronts. Some modifications in the Urban Development Action Grant Program could help the city get more funds under the program. The current rules for UDAG grants work against high-technology industries. Federal assistance is needed to help speed up the process to grant the enterprise zone funds to Kokomo. Further extension of unemployment benefits could provide relief to many jobless people.

The city of Kokomo is going through a reindustrialization stage. It is seeking the industries of the future, the industries that depend on high technology. It needs assistance in the form of funds for high-tech education, for temporary relief to jobless people, and hope for the future.

Thank you.

# TOTAL VOLUME OF BUSINESS IN HOWARD COUNTY, 1978-80
## SUMMARY TABLES

Prepared by
Dr. Dilip Pendse, Chairman
Division of Business Economics
Indiana University at Kokomo

August 1981

# TOTAL VOLUME OF BUSINESS IN HOWARD COUNTY, 1978-80.
## SUMMARY TABLES

The summary tables included in this report relate to the volume of various business activities in Howard County for the years 1978, 1979, and 1980. These tables are based upon the data reported to the Department of Revenue, Indianapolis, by local businesses. Due to reporting practices of regional or national businesses, the data may not reflect the true volume of certain businesses. In general, however, the data are reliable and fairly accurate.

While Table 1 sheds light on the quarterly volume of business in Howard County, the remaining tables provide yearly volume and percent changes for categorized businesses. In some cases, for example, auto relate businesses, closely relate activities are put together to provide a better perspective on the total volume of business.

Dilip Pendse

Table 1. Quarterly Volume of Business in Howard County, 1978-80 (In million dollars)*

| Year | Quarter | Amount | % Change from Previous Qr. |
|---|---|---|---|
| 1978 | I | $ 321 | - |
| | II | 375 | +17 |
| | III | 352 | -6 |
| | IV | 469 | +33 |
| 1979 | I | 420 | -10 |
| | II | 427 | +2 |
| | III | 380 | -11 |
| | IV | 491 | +29 |
| 1980 | I | 398 | -19 |
| | II | 349 | -12 |
| | III | 215 | -38 |
| | IV | 466 | +117 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Table 2. Yearly Volume of Business in Howard County According to Type of Principal Business Activity, 1978-80 (In million dollars)*

| Business Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| Agriculture | $ 0.11 | $ 0.13 | $ 0.13 | +18.18 | 0.00 |
| Mining | 7.71 | 5.30 | 5.78 | -25.03 | + 9.06 |
| Construction | 33.37 | 38.61 | 31.25 | - 6.35 | -19.06 |
| Manufacturing | 1027.50 | 1088.68 | 999.53 | - 2.72 | - 8.19 |
| Transportation, communications | 18.05 | 22.31 | 3.82 | -78.84 | -82.88 |
| Electrical, gas, sanitary services | 26.41 | 34.01 | 30.44 | +15.26 | -10.50 |
| Wholesale trade | 41.98 | 41.55 | 34.62 | -17.53 | -16.68 |
| Retail trade | 291.29 | 287.94 | 246.04 | -15.53 | -14.55 |
| Finance, insurance, real estate | 5.85 | 5.52 | 4.51 | -22.91 | -18.30 |
| Business and professional services | 31.86 | 30.78 | 30.03 | - 5.74 | - 2.44 |
| Total | $1484.13 | $1563.75 | $1386.15 | - 6.60 | -11.36 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Table 3. Yearly Volume of Business in Agriculture and Mining in Howard County, 1978-80 (In million dollars)*

| Business Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| Agriculture, fisheries, forestry | $ 0.11 | $ .13 | $ .13 | +18.18 | 0.00 |
| Metal, coal, nonmetal mining | 3.71 | 1.49 | 1.78 | -52.02 | +19.46 |
| Crude petroleum and natural gas | 3.99 | 3.81 | 4.00 | + 0.25 | + 4.99 |
| Total | $ 7.81 | $ 5.43 | $ 5.91 | -24.33 | + 8.84 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Table 4. Yearly Volume of Business in Construction and Manufacturing Activities in Howard County, 1978-1980 (In million dollars)*

| Business Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| Construction | $ 33.37 | $ 38.61 | $ 31.25 | - 6.35 | -19.06 |
| General building contractors | 4.86 | 5.80 | 3.28 | -32.51 | -43.45 |
| Highway and street construction and heavy construction | 16.22 | 16.79 | 14.31 | -11.78 | -14.77 |
| Special trade contractors | 12.29 | 16.02 | 13.66 | -11.15 | -14.73 |
| Manufacturing | 1027.50 | 1088.68 | 999.53 | - 2.72 | - 8.19 |
| Nonalcoholic beverages | 6.51 | 6.88 | 7.84 | -20.43 | +13.95 |
| Food and kindred products | 5.95 | 6.87 | 6.98 | +17.31 | - 1.60 |
| Apparel and other finished products made from fabrics | 0.99 | 0.99 | 0.62 | -37.37 | -37.37 |
| Furniture and fixtures | 1.01 | 1.29 | 0.98 | - 2.97 | -24.03 |
| Printing, publishing, allied industries | 2.65 | 2.98 | 2.99 | -12.83 | + 0.33 |
| Chemicals and allied products | 0.11 | 0.13 | 0.08 | -27.27 | -38.46 |
| Rubber and misc. plastic products | 5.24 | 4.10 | 1.84 | -64.89 | -55.12 |
| Leather and leather products | 0.13 | 0.15 | 0.18 | +38.46 | +20.00 |
| Stone, clay, glass products | 1.75 | 2.02 | 2.45 | +40.00 | +21.29 |
| Primary metal industries | 133.90 | 161.05 | 125.19 | - 6.50 | -22.27 |
| Fabricated metal products, except mach. and transp. equip. | 0.89 | 7.75 | 1.15 | -29.21 | -84.83 |
| Professional, scientific, controlling instruments; photographic and optical goods; watches and clocks | 789.31 | 803.72 | 785.94 | - 0.43 | - 2.21 |
| Other manufacturing industries | $ 79.06 | $ 90.75 | $ 63.29 | -19.95 | -30.26 |
| Total | $1060.87 | $1127.29 | $1030.78 | - 2.84 | - 8.56 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Table 5. Yearly Volume of Retail Trade Activities in Howard County, 1978-80 (In million dollars)*

| Retail Trade Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| General Merchandise | $ 25.90 | $ 23.40 | $ 21.52 | -16.91 | - 8.03 |
| Food | 19.81 | 18.41 | 14.75 | -25.54 | -19.88 |
| Automotive dealers (new and used cars) | 87.97 | 76.13 | 62.05 | -26.10 | -18.49 |
| Tire, battery, and accessory dealers | 8.65 | 8.18 | 6.30 | -27.17 | -22.98 |
| Gasoline service stations | 7.90 | 4.34 | 4.08 | -58.79 | - 6.00 |
| Misc. aircraft, marine, and automotive dealers | 9.58 | 8.18 | 4.91 | -48.75 | -39.98 |
| Men's and boy's clothing and furnishing stores | 2.79 | 2.10 | 2.03 | -27.24 | - 3.33 |
| Women's ready-to-wear, accessory, and speciality stores | 2.45 | 2.83 | 2.78 | +13.47 | - 1.77 |
| Children's and infants' wear dealers | 0.50 | 0.50 | 0.42 | -16.00 | -16.00 |
| Family clothing stores | 16.37 | 14.54 | 14.90 | - 8.98 | + 2.48 |
| Shoe stores | 2.42 | 2.37 | 2.08 | -14.05 | -12.24 |
| Misc. apparel and accessory stores | 4.66 | 4.71 | 3.86 | -17.17 | -18.05 |
| Furniture, home furnishings, and equipment | 14.43 | 14.93 | 12.78 | -11.43 | -14.40 |
| Eating and drinking places | 36.07 | 36.81 | 35.47 | - 1.66 | - 3.64 |
| Drug stores and proprietory stores | 3.47 | 3.60 | 3.20 | - 7.78 | -11.11 |
| Liquor stores | 1.53 | 1.44 | 1.61 | + 5.23 | +11.81 |
| Antique stores and second hand stores | 0.87 | 1.04 | 0.82 | + 5.75 | -21.15 |
| Book and stationary stores | 1.01 | 1.10 | 1.06 | + 4.95 | - 3.64 |
| Sporting goods stores and bicycle shops | 6.06 | 5.90 | 5.43 | -10.40 | - 7.97 |
| Farm and garden supply stores | 7.11 | 7.59 | 7.73 | + 8.72 | + 1.81 |
| Jewelery stores | $ 2.65 | $ 3.53 | $ 4.10 | +54.72 | +16.15 |
| Fuel and ice dealers | 5.03 | 21.11 | 15.07 | +199.60 | -28.61 |
| Retail stores, not elsewhere classified | 26.06 | 25.20 | 19.09 | -26.75 | -24.25 |
| Total | $291.29 | $287.44 | $246.04 | -15.53 | -14.55 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Table 6. Yearly Volume of Business Type and Professional Type Services in Howard County, 1978-80 (In million dollars)*

| Type of Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| Hotel, camps, and other lodging places | $ 3.48 | $ 3.42 | $ 3.33 | - 4.31 | - 2.63 |
| Personal service business (barber, beauty shops, shoe repair, etc.) | 1.15 | 1.20 | 1.12 | - 2.61 | - 6.67 |
| Business services (advertising, employment agencies, mailing, etc.) | 0.24 | 0.42 | 0.47 | -95.83 | +11.90 |
| Automobile and other repair services | 11.52 | 10.60 | 8.95 | -22.31 | -15.57 |
| Amusement and recreation services, except motion pictures | 3.63 | 1.38 | 1.13 | -68.87 | -18.12 |
| Other business type services | 6.70 | 7.67 | 8.12 | +21.19 | - 5.87 |
| Veterinarians | 0.14 | 0.26 | 0.28 | +100.00 | + 7.69 |
| Optometrists and oculists | 0.31 | 0.27 | 0.35 | +12.90 | +29.63 |
| Pharmacists | 0.74 | 0.79 | 0.78 | + 5.41 | - 1.27 |
| Teachers and professors | 1.51 | 2.20 | 3.60 | +138.41 | +63.64 |
| Other professional services | 2.44 | 2.55 | 1.89 | -22.54 | -25.88 |
| Total | $ 31.86 | $ 30.76 | $ 30.02 | - 5.78 | - 2.41 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Table 7. Yearly Volume of Wholesale and Retail Business in Groceries, and Food and Related Products in Howard County, 1978-80 (In million dollars)*

| Business Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| Wholesale | $ 14.83 | $ 15.64 | $ 8.45 | -43.08 | -45.97 |
| Groceries and related products | 14.83 | 15.64 | 8.45 | -43.08 | -45.97 |
| Retail | 19.81 | 18.40 | 14.74 | -25.59 | -19.89 |
| Grocery stores | 16.67 | 14.42 | 11.48 | -31.13 | -20.39 |
| Meat and fish markets | 0.60 | 0.72 | 0.71 | +18.33 | - 1.39 |
| Fruit and vegetable markets | 0.46 | 0.26 | 0.25 | -45.65 | - 3.85 |
| Candy, nut, and confectionary stores | 0.12 | 0.14 | 0.14 | +16.67 | 0.00 |
| Dairy products stores | 0.75 | 0.90 | 0.67 | -10.67 | -25.56 |
| Bakeries | 0.37 | 0.44 | 0.09 | -75.68 | -79.55 |
| Misc. food stores | 0.84 | 1.52 | 1.40 | +66.67 | - 7.89 |
| Eating and Drinking Places | 36.07 | 36.81 | 35.47 | - 1.66 | - 3.64 |
| Total | $ 70.71 | $ 70.85 | $ 58.66 | $-17.04 | $-17.20 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

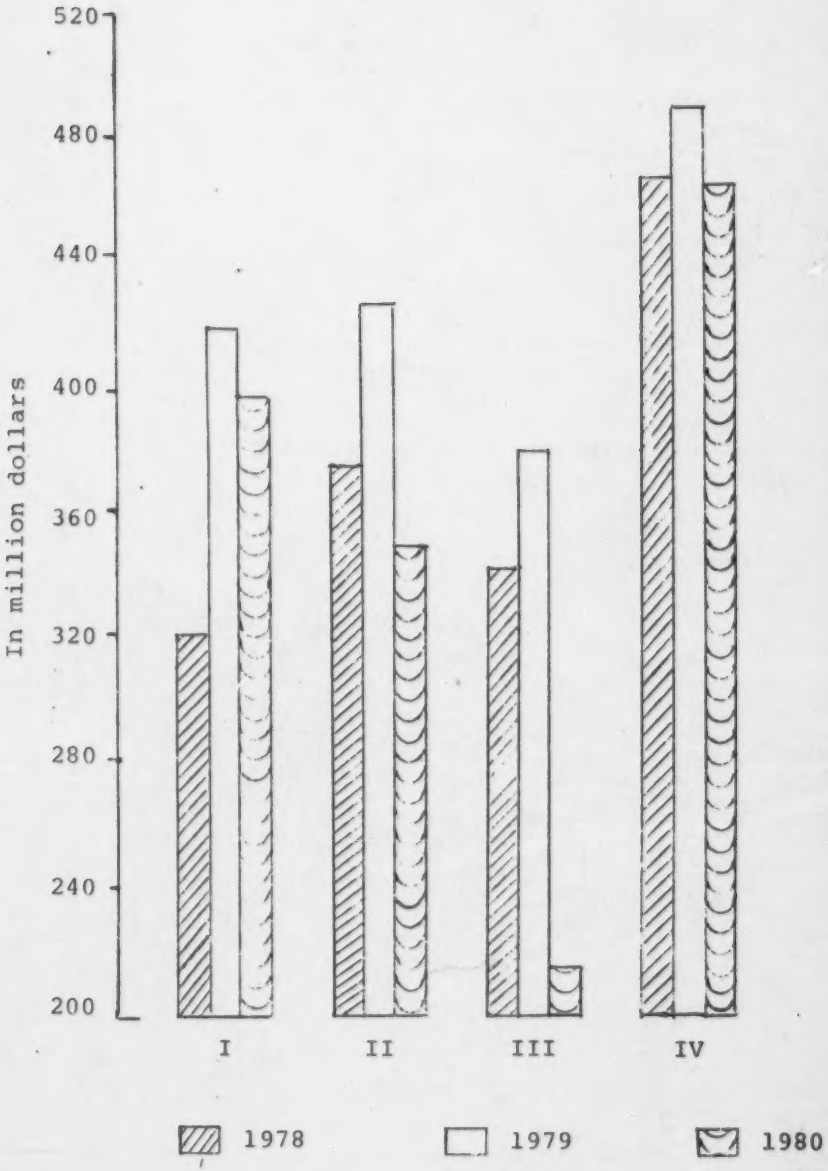
Table 8. Yearly Volume of Auto Related Retail Business Activities in Howard County, 1978-80 (In million dollars)*

| Business Activity | 1978 | 1979 | 1980 | Percent Change 1978-80 | Percent Change 1979-80 |
|---|---|---|---|---|---|
| Motor vehicle dealers (new and used cars) | $ 75.45 | $ 69.01 | $ 55.23 | -26.80 | -19.97 |
| Motor vehicle dealers (used cars only) | 8.52 | 7.12 | 6.82 | -19.95 | - 4.21 |
| Tire, battery, and accessory dealers | 8.65 | 8.18 | 6.30 | -27.17 | -22.98 |
| Automobile and other repair services | 11.52 | 10.60 | 8.95 | -22.31 | -15.57 |
| Gasoline service stations | 9.90 | 4.34 | 4.08 | -58.79 | - 5.99 |
| Misc. aircraft, marine, and automotive dealers | 9.58 | 8.18 | 4.91 | -48.75 | -39.98 |
| Total | $123.62 | $107.41 | $ 86.29 | -30.20 | -19.68 |

*Volume of business subject to state sales taxes.

Source: Indiana Department of Revenue

Quarterly Volume of Business in Howard County, 1978-80 (In million dollars)



Senator QUAYLE. Next, Mr. Carter, president of Carter Industrial Services.

## STATEMENT OF WILL J. CARTER, PRESIDENT, CARTER INDUSTRIAL SERVICES, INC., ANDERSON, IND.

Mr. CARTER. Thank you, Mr. Chairman. It is a little frigid out there, but we hope that today during this testimony we will bring warmth.

Senator QUAYLE. Thank you very much. Go ahead and proceed at your pleasure.

Mr. CARTER. OK. Mr. Chairman and members of the Senate Subcommittee Task Force on Employment, I would like to take this opportunity to thank you for inviting me to this Senate hearing and allowing me to give my testimony today.

I am Will J. Carter, president of Carter Industrial Services, Inc., of Anderson, Ind., an automotive-related fabricating company located in Anderson. Our business has also diversified into the light assembly and recycling of aluminum and plastic.

Carter Industrial Services, Inc., was incorporated in June 1976. Our business was started with contracts from General Motors, which is the main source of employment in our area. Our business expanded, as we now cover operations throughout the Midwest.

We started with five dedicated employees. As our business grew, our work force grew, and we were instrumental in employing as many as 140 persons from the city of Anderson and surrounding areas.

Our work force consists of employees between the ages of 18 through 74 years of age. These people are from varying socio-economic backgrounds. Many of our employees came to us with little or no work experience.

Our labor force consists of people who had little or no educational background; had no labor skills when hired. They also had prison backgrounds and some of them were on parole from various correctional institutions at the time they were hired. We also employed recovered alcoholics and drug abusers.

These are the people that I have taken off the streets of Anderson, Ind., and put to work, and allowed them to become productive members of the community. Some of these individuals have been with the company since it started in 1976. These individuals were trained as welders, mechanics, and clericals. Some of these people have been promoted to higher positions in the company, as well as a part of our management team.

In locating these individuals, we have taken advantage of federally funded training programs such as OJT, which is a part of the CETA program, WIN, as well as reentry programs established through the correctional institutions.

Business increased each year; then came the reduction in car sales and business began to decline, as we lost contracts necessitated by the decrease in sales throughout the auto industry.

The auto industry employs more people in the State of Indiana than any other industry, and has been the hardest hit in this period of recession. It stands to reason that Carter Industrial Services, Inc., has also been greatly affected, since 90 percent of our

contracts are with General Motors. The city of Anderson and surrounding areas is one of the many communities experiencing hardships in the Midwest regarding employment. In the past year, I have had to layoff some 60 employees, or 40 percent of our work force.

As a small minority businessman, I am appearing here today to ask the U.S. Congress to take a very close look at the auto industry and at all of the small businesses which are suffering as a result of the auto industry layoffs. Although a work force of 80 people may not seem like a large number of employed individuals, it still is 80 people who remain employed and off the streets of Anderson. Also, it should be remembered that if we would have to lay off these 80 people, not only would they suffer, but it could affect employees of our numerous suppliers.

The auto industry and its suppliers make up the very foundation of Anderson's economy, and layoffs in these areas create the ripple effect of decreasing the income of local merchants and service providers.

We are seeing a decline in populace as people are leaving our community to seek employment in other areas. This decreases local government income. Along with the decrease in income, we are seeing an increase in welfare programs sponsored through our tax dollars.

Unemployed citizens must turn to welfare and other financial aid programs to enable themselves to struggle through until means of survival take charge. This change of normal living patterns not only affects the unemployed financially, but also psychologically. Their sense of values is weakened, causing an increase in crime and social abuse.

For many of the laid-off employees, they see no future. Since the economy in our community has been heavily focused on the automobile industry for years, it would require many years to develop alternative types of industry, which would require additional training for unemployed persons.

What you gentlemen can do to assist us small businesses in bringing back business to its former level would be: One, support strengthening of the federally funded training programs to allow for more participation by unemployed persons. An increase in the eligible pool of those who qualify for targeted job credits would allow myself and other businesses to hire more individuals that would normally, at this time, be drawing unemployment or receiving financial assistance.

Two: As we can clearly see, interest is a big factor in determining controls for the improvement of the economy. When rates were increased, inflation began to decrease. Until interest rates are lowered, the prospect of increased automobile sales is not likely.

Three: One way to help increase car sales is to reduce the cost of the cars. You can accomplish this by helping to eliminate unnecessary legislation, some of which will be eliminated by provisions of the Clean Air Act. H.R. 5252 will amend the Clean Air Act without hurting the environment and also reduces the price of the cars by as much as $300.

We also say we are looking for diversification of business in our community. Also, H.R. 4738 will also enable the Employment Serv-

ices Division to go out into the private sector' which would create some smaller job markets with the employment agencies.

This subcommittee here today cannot by themselves turn the economy around. Every employee should be aware that every job is vital for the success of any business. No one job can make an organization survive alone, but any one job not performed properly will decrease the efficiency of the business. Every job should be done as quickly and to the highest standards as possible. If this is not done, the chances of an organization surviving are very minimal. It cannot be stressed enough that no matter what position is held, it is just as important as the next job. Every job is important. Further proof of this shows in the cooperative effort and attitude of management.

It also should be stressed that each employee should work 8 hours for 8 hours' pay. If an employee does not work 8 hours but receives 8 hours' pay, it will cost the employer more money for less production. This causes the price of the product to rise and results in fewer products being sold. If demand of product goes down, layoffs are sure to occur.

We must believe in America, we must live in America, and we should support and buy American-made cars. Of course, we have some dandies: General Motors, Ford, Chrysler, and AMC.

Management and labor will attain a better working relationship if both sides show they are ready to listen and cooperate, to work together to produce a quality product that everyone can be proud of.

We are all fortunate to be involved in the free enterprise system. We, as fellow Americans, would like to see a turnaround in this country. We want to help build a better and a prosperous Nation.

In conclusion, I urge each of you to give careful consideration to all recommendations presented here today.

Senator QUAYLE. Thank you very much, Mr. Carter, and we certainly will attend to your recommendations and those of others. I have two specific questions for you.

Do you know whether any of the employees that you have laid off because of the decline in the auto industry are now on welfare?

Mr. CARTER. Well, I would give you the best estimation I can. When these employees came to us in 1976, they came from the welfare rolls, as I mentioned in my speech in the opening. On the basis of our employing them for the last 6 years, they have automobiles; they have gained stability in the community. But that is not a long period of time to get yourself well.

So, out of the 40 percent that is laid off, I would imagine that every one that did not develop and whom we had trained—all of the people that we had working for us, we had given them some skills, such as welding and some technical background. Since jobs are tight, I would venture to say that the 40 percent are either getting some welfare assistance or they are looking to some other need to help supplement their income.

I would go on to say that the CETA program which I mentioned earlier is a good program now, as the mayor of Anderson mentioned a few moments ago. It has been overhauled, and we find that when you train people, believe it or not, people are really wanting to get that training. They really want to take advantage of

the CETA program and all that there is to retrain, because there is just one little thing in this whole situation that I would like to mention.

The people that are unemployed right now—somewhere down the road in the auto industry, they were a part of that industry. It is not only the U.S Congress, it is not only the Senators, it is not only the management team, but we cannot forget that individual while he is there; back into the speech, 8 hours for 8 hours' work.

It is sad to be unemployed, but let us not bring it upon ourselves. When we give management our best, what else can they ask? But we have all heard through the years, "Well, we will go to work, and I have to turn my back to accept that paycheck because I feel a little guilty." Well, these are the things that we are going to have to all honestly, from the labor force and from the management force, work up, and see that we definitely have to pick up this responsibility.

No one single person is going to turn this around; we all have to work together—labor and management.

Senator QUAYLE. My second question is, would you be able to hire more people through this targeted jobs tax credit? Is that important to you as a small businessman in hiring people?

Mr. CARTER. Yes, it is because in hiring people that have not worked or that have been in some social program or some disadvantaged program, there is a lot of burden on the small businessman of retraining this individual, or even training him.

These credits that are allowed on the job-targeted tax credit do not help you on everyday, hour-by-hour pay, but we know that those taxes can be reduced to help the growth of that firm. It definitely will help.

I will just give you a case in point. If you hire a gentleman who knows nothing about the welding industry—we have seen it in our own organization—rather than properly setting the torch head down, he throws it down. That is a $75 item that is shot. He did not know properly how to handle that. So, the employer suffers the brunt of this strain.

By the same token, if these tax credits are in force, we basically can redeem and recuperate some of those losses.

Senator QUAYLE. Well, thank you very much, Mr. Carter. Thank you for your fine testimony. I have enjoyed your testimony, I have enjoyed visiting your plant. We certainly will continue our relationship, and you did a fine job.

Mr. CARTER. Thank you.

[The prepared statement of Mr. Carter follows:]

JANUARY 7, 1982

MR. CHAIRMAN AND MEMBERS OF THE SENATE SUB-COMMITTEE TASK FORCE ON EMPLOYMENT, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK YOU FOR INVITING ME TO THIS SENATE HEARING AND ALLOWING ME TO GIVE MY TESTIMONY TODAY.

I AM WILL J. CARTER, PRESIDENT OF CARTER INDUSTRIAL SERVICES, INC., AN AUTOMOTIVE RELATED FABRICATING COMPANY LOCATED IN ANDERSON, IN.. OUR BUSINESS HAS ALSO DIVERSIFIED INTO LIGHT ASSEMBLY AND RECYCLING OF ALUMINUM, PLASTIC AND PAPER.

CARTER INDUSTRIAL SERVICES, INC., WAS INCORPORATED IN JUNE OF 1976. OUR BUSINESS WAS STARTED WITH CONTRACTS FROM GENERAL MOTORS, WHICH IS THE MAIN SOURCE OF EMPLOYMENT IN OUR AREA. OUR BUSINESS EXPANDED AS WE NOW COVER OPERATIONS THROUGH-OUT THE MIDWEST.

WE STARTED WITH 5 EMPLOYEES. AS BUSINESS GREW, OUR WORK FORCE GREW AND WE WERE INSTRUMENTAL IN EMPLOYING AS MANY AS ONE HUNDRED FORTY (140) PERSONS FROM THE CITY OF ANDERSON AND SURROUNDING AREAS.

OUR WORK FORCE CONSISTS OF EMPLOYEES BETWEEN THE AGES OF EIGHTEEN (18) THROUGH SEVENTY FOUR (74) YEARS OF AGE. THESE PEOPLE ARE FROM VARYING SOCIO-ECONOMIC BACKGROUNDS. MANY OF OUR EMPLOYEES CAME TO US WITH LITTLE OR NO WORK EXPERIENCE.

OUR LABOR FORCE CONSISTS OF PEOPLE WHO HAD LITTLE OR NO EDUCATIONAL BACKGROUND, HAD NO LABOR SKILLS WHEN HIRED.

THEY ALSO HAD PRISON BACKGROUNDS AND SOME WERE ON PAROLE FROM VARIOUS CORRECTIONAL INSTITUTIONS AT THE TIME THEY WERE HIRED. WE ALSO EMPLOYED RECOVERED ALCHOLICS AND DRUG ABUSERS. THESE ARE THE PEOPLE I HAVE TAKEN OFF THE STREETS OF ANDERSON AND PUT TO WORK AND ALLOWED THEM TO BECOME PRODUCTIVE MEMBERS OF THE COMMUNITY. SOME OF THESE INDIVIDUALS HAVE BEEN WITH THE COMPANY SINCE WE STARTED IN 1976. THESE INDIVIDUALS WERE TRAINED AS WELDERS, MECHANICS, AND IN CLERICAL WORK, ETC. THEY BECAME HIGHLY PRODUCTIVE EMPLOYEES. SOME OF THESE PEOPLE HAVE BEEN PROMOTED TO HIGHER POSITIONS IN THE COMPANY AS WELL AS PART OF OUR MANAGEMENT TEAM.

IN LOCATING THESE INDIVIDUALS WE HAVE TAKEN ADVANTAGE OF FEDERALLY FUNDED TRAINING PROGRAMS SUCH AS CETA, WIN, ON THE JOB TRAINING, AS WELL AS RE-ENTRY PROGRAMS ESTABLISHED THRU THEIR CORRECTIONAL INSTITUTIONS.

BUSINESS INCREASED EACH YEAR, THEN CAME THE REDUCTION IN CAR SALES AND BUSINESS BEGAN TO DECLINE, AS WE LOST CONTRACTS NECESSITATED BY THE DECREASE IN SALES THROUGH-OUT THE AUTO INDUSTRY.

THE AUTO INDUSTRY EMPLOYS MORE PEOPLE IN THE STATE OF INDIANA THAN ANY OTHER INDUSTRY, AND BEEN THE HARDEST HIT IN THIS PERIOD OF RECESSION. IT STANDS TO REASON THAT CARTER INDUSTRIAL SERVICES, INC., HAS ALSO BEEN GREATLY AFFECTED SINCE NINTY PERCENT (90%) OF OUR CONTRACTS ARE WITH GENERAL MOTORS. THE CITY OF ANDERSON AND SURROUNDING AREAS IS ONE OF THE MANY COMMUNITIES EXPERIENCING HARDSHIPS IN THE MIDWEST REGARDING EMPLOYMENT.

IN THE PAST YEAR I HAVE HAD TO LAY OFF SOME SIXTY (60) EMPLOYEES, OR FORTY PERCENT (40%) OF OUR WORK FORCE.

AS A SMALL MINORITY BUSINESS MAN I AM APPEARING HERE TODAY TO ASK THE U.S. CONGRESS TO TAKE A VERY CLOSE LOOK AT THE AUTO INDUSTRY AND AT ALL OF THE SMALL BUSINESSES WHICH ARE SUFFERING AS A RESULT OF THE AUTO INDUSTRY LAY OFFS. ALTHOUGH A WORK FORCE OF EIGHTY (80) PEOPLE MAY NOT SEEM LIKE A LARGE NUMBER OF EMPLOYED INDIVIDUALS, IT STILL IS EIGHTY (80) PEOPLE WHO REMAIN EMPLOYED AND OFF THE STREET. ALSO IT SHOULD BE REMEMBERED IF WE WOULD HAVE TO LAY OFF THESE EIGHTY (80) PEOPLE NOT ONLY WOULD THEY SUFFER, BUT IT COULD AFFECT EMPLOYEES OF OUR NUMEROUS SUPPLIERS.

THE AUTO INDUSTRY AND ITS SUPPLIERS MAKE UP THE VERY FOUNDATION OF ANDERSON'S ECONOMY AND LAY OFFS IN THESE AREAS CREATE THE RIPPLE EFFECTS OF DECREASING THE INCOME OF LOCAL MERCHANTS AND SERVICE PROVIDERS.

WE ARE SEEING A DECLINE IN POPULACE AS PEOPLE ARE LEAVING OUR COMMUNITY TO SEEK EMPLOYMENT IN OTHER AREAS. THIS DECREASES LOCAL GOVERNMENT INCOME. ALONG WITH THE DECREASE IN INCOME, WE ARE SEEING AN INCREASE IN WELFARE PROGRAMS SPONSORED THROUGH OUR TAX DOLLARS.

UNEMPLOYED CITIZENS MUST TURN TO WELFARE AND OTHER FINANCIAL AID PROGRAMS TO ENABLE THEMSELVES TO STRUGGLE THROUGH UNTIL MEANS OF SURVIVAL TAKES CHARGE.

THIS CHANGE OF NORMAL LIVING PATTERNS NOT ONLY AFFECTS THE UNEMPLOYED FINANCIALLY, BUT ALSO PSYCHOLOGICALLY. THEIR SENSE OF VALUES IS WEAKENED, CAUSING AN INCREASE IN CRIME AND SOCIAL ABUSE.

FOR MANY OF THE LAID OFF EMPLOYEES, THEY SEE NO FUTURE, SINCE THE ECONOMY IN OUR COMMUNITY HAS BEEN HEAVILY FOCUSED ON THE AUTOMOBILE INDUSTRY FOR YEARS, IT WOULD REQUIRE MANY YEARS TO DEVELOP ALTERNATIVE TYPES OF INDUSTRY WHICH WOULD REQUIRE ADDITIONAL TRAINING FOR UNEMPLOYED PERSONS.

WHAT YOU GENTLEMEN CAN DO TO ASSIST US SMALL BUSINESSES IN BRINGING BACK BUSINESS TO ITS FORMER LEVEL WOULD BE:

1) SUPPORT STRENGTHENING OF THE FEDERALLY FUNDED TRAINING PROGRAMS TO ALLOW FOR MORE PARTICIPATION BY UNEMPLOYED PERSONS. BY AN INCREASE IN THE ELIGIBLE POOL OF THOSE WHO QUALIFY FOR TARGETED JOB CREDITS WOULD ALLOW MYSELF AND OTHER BUSINESSES TO HIRE MORE INDIVIDUALS THAT WOULD NORMALLY AT THIS TIME BE DRAWING UNEMPLOYMENT OR RECEIVING FINANCIAL ASSISTANCE.

2) AS WE CAN CLEARLY SEE, INTEREST IS A BIG FACTOR IN DETERMINING CONTROLS FOR THE IMPROVEMENT OF THE ECONOMY. WHEN RATES WERE INCREASED INFLATION BEGAN TO DECREASE, UNTIL INTEREST RATES ARE LOWERED,THE PROSPECT OF INCREASED AUTOMOBILE SALES ARE NOT LIKELY.

3) ONE WAY TO HELP INCREASE CAR SALES IS TO REDUCE THE COST OF THE CARS. YOU CAN ACCOMPLISH THIS BY HELPING TO ELIMINATE UNNECESSARY LEGISLATION; SOME OF WHICH WILL BE ELIMINATED BY PROVISIONS OF THE CLEAN AIR ACT. H. R. 5252 WILL AMEND THE

CLEAN AIR ACT WITHOUT HURTING THE ENVIROMENT AND ALSO REDUCE THE PRICE OF THE CARS BY AS MUCH AS THREE HUNDRED DOLLARS ($300.00).

THIS SUB-COMMITTEE HERE TODAY CAN NOT BY THEMSELVES TURN THE ECONOMY AROUND. EVERY EMPLOYEE SHOULD BE AWARE THAT EVERY JOB IS VITAL FOR THE SUCCESS OF ANY BUSINESS. NO ONE JOB CAN MAKE AN ORGANIZATION SURVIVE ALONE, BUT ANY ONE JOB NOT PERFORMED PROPERLY WILL DECREASE THE EFFICIENCY OF THE BUSINESS. EVERY JOB SHOULD BE DONE AS QUICKLY, AND TO THE HIGHEST STANDARDS AS POSSIBLE. IF THIS IS NOT DONE,THE CHANCES OF AN ORGANIZATION SURVIVING IS VERY MINIMAL. IT CAN NOT BE STRESSED ENOUGH THAT NO MATTER WHAT POSITION IS HELD, IT IS JUST AS IMPORTANT AS THE NEXT JOB. EVERY JOB IS IMPORTANT !! FURTHER PROOF OF THIS SHOWS IN THE CO-OPERATIVE ATTITUDE OF MANAGEMENT.

IT ALSO SHOULD BE STRESSED EACH EMPLOYEE WHOULD WORK EIGHT (8) HOURS FOR EIGHT (8) HOURS PAY. IF AN EMPLOYEE DOES NOT WORK EIGHT (8) HOURS BUT RECEIVES EIGHT (8) HOURS PAY, IT WILL COST THE EMPLOYER MORE MONEY FOR LESS PRODUCTION. THIS CAUSES THE PRICE OF THE PRODUCT TO RAISE AND RESULTS IN FEWER PRODUCTS BEING SOLD. IF DEMAND OF PRODUCT GOES DOWN, LAY OFFS ARE SURE TO OCCUR.

MANAGEMENT AND LABOR WILL ATTAIN A BETTER WORKING RELATIONSHIP IF BOTH SIDES SHOW THEY ARE READY TO LISTEN AND CO-OPERATE, TO WORK TOGETHER TO PRODUCE A QUALITY PRODUCT THAT EVERY ONE CAN BE PROUD OF.

WE ALL ARE FORTUNATE TO BE INVOLVED IN THE FREE ENTERPRISE SYSTEM. WE AS FELLOW AMERICANS WOULD LIKE TO SEE A TURN AROUND IN THIS COUNTRY. WE WANT TO HELP BUILD A BETTER AND PROSPEROUS NATION.

IN CONCLUSION I URGE EACH OF YOU TO GIVE CAREFUL CONSIDERATION TO ALL RECOMMENDATIONS PRESENTED HERE TODAY.

Senator QUAYLE. Thank you.

Last, but certainly not least by anyone's estimation, Jim Baker, president and chief executive officer of Arvin Industries of Columbus, Ind., accompanied by Fred Meyer. We are glad to have both of you.

Mr. BAKER. Thank you.

Senator QUAYLE. Jim, go ahead and proceed at will. We appreciate your indulgence.

**STATEMENT OF JAMES K. BAKER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ARVIN INDUSTRIES, INC., COLUMBUS, IND., ACCOMPANIED BY FRED MEYER, VICE PRESIDENT FOR PUBLIC AFFAIRS, ARVIN INDUSTRIES, INC.**

Mr. BAKER. Mr. Chairman, my name is James K. Baker. I am president and chief executive officer of Arvin Industries, a manufacturer of automotive products and nonautomotive products, based in Columbus, Ind. Arvin is a company that does about a half billion dollars in sales annually, with approximately 60 percent of this volume automotive. We are a major supplier of exhaust system parts to General Motors, Ford, and Chrysler.

There is no one in this room today who has not heard or read about the problems facing the U.S. auto industry, and few would take issue with the depiction of our domestic auto industry as one suffering from a declining total market, high labor rates, excess capacity, poor quality image, high prices, a loss of market share to foreign competition, and high unemployment. All of these factors contributed to 1981 being the worst year for our domestic automotive industry in more than 25 years.

Certainly, these industry conditions have been felt at Arvin in the past 3 years. Our automotive sales declined 26 percent from 350 million in 1977 to 258 million in 1980. Automotive profits for this period declined 77 percent, from $59.6 million to $13.8 million. None of these figures have been adjusted for inflation. Downward changes of this magnitude over a prolonged period necessitate the reduction of fixed assets and employment levels.

Our automotive employment has declined 40 percent, from approximately 5,000 in January 1979 to the present level of about 3,000. This has resulted in our closing 3 of 10 U.S. exhaust system plants.

Those who have been laid off in our plant towns have little hope of being reemployed in our automotive plants in the near term. Employees in each of our automotive plants located in midwestern and southern communities have suffered in varying degrees from this reduction in employment.

In January 1980, Arvin closed its Monroeville, Ala. exhaust system plant, leaving some 250 people without jobs in a town of 7,000 residents. Before the closing, Arvin and one other manufacturer were the principal bases for the industrial sector of the town's economy.

In addition to industrial employment, many people in the outlying communities engage in marginal truck farming. When the Arvin plant closed, the industrial sector obviously was unable to absorb the unemployed. Therefore, upon expiration of unemploy-

ment benefits, many workers were forced onto welfare, while others returned to marginal farming activities and pulpwood cutting.

Retraining opportunities are limited in Monroeville because of the lack of technical and vocational schools in the area, and most people were unwilling to relocate. The nearest metropolitan area is Mobile, some 50 miles away—too far to drive daily for training courses. We estimate that approximately half of these 250, or 125 former wage earners, will remain on welfare indefinitely.

When layoffs occurred in Columbus, Ind., the situation was quite different. With a population of 30,000, Columbus has a considerably stronger and more diversified industrial base. Besides Arvin, the headquarters of Cummins Engine Co. and plants representing some other leading manufacturing companies are located there.

In the past 5 years, an active economic development program, one of the best in Indiana, has located 15 new businesses in Columbus. Seven of these are U.S. operations of foreign companies. Opportunities for retraining are great in this city, given a university branch, a State vocational school campus, and an excellent adult education program in the high schools. These activities make it possible for the automotive unemployed in Columbus to look for regaining meaningful work in the long term.

Other Arvin locations where layoffs have occurred fall between these two examples. This is typical of the supply industry, as it is highly diversified in terms of community structure. It has been estimated that there are some 40,000 firms located in every State in the Union supplying the auto industry. No doubt, some are like Chicago and Detroit and Cleveland. However, a great number are in towns like Anderson and Kokomo, Ind.; Monroeville, Ala.; Monticello, Ark.; and Dexter, Mo.

But from these two Arvin examples, we see that in the event layoffs and plant closings, it is the nature of the community which determines to a great extent what can happen to the unemployed worker. Also, we see that due to the diversity in our industry pertaining to location, type and size of companies involved, it is hard to make blanket assistance programs work.

The Trade Adjustment Act is a good example. It was designed to benefit those people who are unemployed as a result of foreign competition. However, Arvin automotive employees cannot receive the benefits of the program because the Department of Labor has ruled that exhaust systems are not imported, as such, even though cars with exhaust systems are imported.

Today, there are 211,000 layoffs by the U.S. auto manufacturers themselves, with an additional 400,000 laid off by suppliers like Arvin. The costs associated with these 611,000 unemployed men and women are enormous. Based on numbers from the Goldschmidt report, the cost, including the lost tax revenue, of this group of people being unemployed is $6.8 billion per year. This is not acceptable in today's environment of budget and tax restraint.

We simply must find a way to get these people back to work. We believe that unemployment must be treated as the most serious of the problems now besetting the industry. To accept these high levels of unemployment begs the issue of whether or not our econo-

my and our society can afford to let a large part of our automotive industry go offshore.

Full employment and an increasing standard of living in the U.S. demand a diversified manufacturing, agricultural and service economy with a broad range of industrial and technical products, including a strong automotive industry.

Once a restructured auto industry is achieved, efficient and competitive worldwide, that is the proper time to assess the need for permanent retraining and the redirecting of our labor resources to other economic ends.

In this longer term context, economic development and retraining programs are good answers. Retraining of workers is practical where institutions, such as vocational schools, are in place to handle it. Otherwise, these programs degenerate into extended unemployment benefits or are used to increase the number of workers on local government payrolls.

Meaningful retraining takes time, and I return to the premise that the best solution is to get these people back to work in the auto industry. We need to create an environment in this country in which the auto industry can exist and compete in the world market. Presently, most imported cars coming into this country enjoy a cost advantage of $1,000 to $1,500 compared to similar American-produced models.

Even though Japanese workers are not paid as much as American workers, the greatest source of this advantage is structural. The real key to the success of the Japanese has not been rooted in low wages, but in the cooperation that is a part of their society. Government, business and labor work together toward a mutual national goal.

If there is a lesson for us to learn from the Japanese, it is this idea of cooperation. Fortunately, we too have begun to move in this direction. The Government under the Reagan administration deserves high marks for ending the adversarial relationship present for so long. This is evident in such actions as the Economic Recovery Act, passed in 1981, the relaxation of regulations affecting the auto industry, and the negotiated reduction in Japanese imports.

However, these programs are insufficient. Regulations still plague the industry and the negotiated reductions have not been effective in our recessionary climate. Imports have continued to gain share in a declining market, hitting an alltime high of 31.5 percent in December.

We need an effective coalition of Government, business, and labor designed to bolster the U.S. auto industry. We need a continuing effort to reduce the burden of regulation, which is economically unjustifiable. We need to equalize the effects of trade barriers imposed by other nations to protect their auto industries. Every major auto-producing country in the world protects its auto industry, except the United States.

We can create an environment in this country in which our auto industry can exist and compete effectively in a world auto market, which in turn will cause the reemployment of a high percentage of laidoff autoworkers. For this to happen, everyone must do their part.

Unions must be willing to renegotiate the cost of labor. Domestic manufacturers and suppliers must be willing to pass on savings derived from reduced regulation. They must also invest in new equipment to reduce costs and improve quality.

The Government must continue to ease the burden of regulation on the auto industry, as well as to enact legislation that will equalize trade barriers. Here, there are three alternatives. First, we can negotiate meaningful limitations on imports. Second, we can seriously negotiate for the removal of foreign trade barriers. Third, if negotiations fail to reduce the trade advantage currently given to foreign manufacturers, the U.S. Government must be prepared to go as far as enacting local content legislation.

We would recommend that the Government act as the catalyst to obtain the cooperative agreement between the UAW to renegotiate the cost of labor, and the U.S. auto companies to pass savings from lower labor costs, less regulation and higher productivity on to consumers, and then enact legislation to equalize the U.S. competitive position.

All three groups are receptive to an early solution to this grave and costly problem.

Thank you, Senator, for this opportunity to present my views to you.

Senator QUAYLE. Thank you very much for a very thorough discussion of the problem and some very cogent recommendations.

My first question goes to page 6, where you talk about creating an environment in this country in which we will see the reemployment of a high percentage of laidoff autoworkers, and then you go on to say that everyone must do their part.

When you talk about a high percentage of reemployment, would you give us an idea of what you mean, and whether you think that, a "high percentage reemployment" will occur in the near future?

Mr. BAKER. Well, I think defining "high percentage," first of all, might be part of your question. A high percentage, I think, is somewhere between 40 to 60 percent. Certainly, today, the United States still enjoys one of the most vibrant economies, compared with most other countries, in spite of the fact that we sit here in the midst of a recession.

Even though the auto industry is in the midst of a severe recession, people continue to need their automobiles. I expect that it is within our grasp, if we all work together, to reemploy 40 to 60 percent of those laid off, when 31.5 percent of the cars sold in the United States in the month of December are made offshore, you have to realize that figures like these help create the environment that we are in today, where many of the investment decisions of U.S. companies are either being deferred or canceled, or are being directed toward offshore investments. You can see that all of this tends to show that the employment prospects are not good, given these conditions. We have to turn this around.

Today, we are looking at investments in Mexico, in Spain, in Brazil, and in these other automotive assembly areas of the world because we see little growth in the United States. We have excess capacity here. We must turn this around. I think we have to put the U.S. auto industry in a position where it can compete vis-a-vis other countries in the world.

Senator QUAYLE. To be able to compete better internationally and to attain higher productivity, what would be the No. 1 recommendation that you would make to this Congress?

You have outlined a number of them. I wonder if you could just say, as far as the direction, if there is one particular thing that must be done to achieve higher productivity and recapture that competitive edge that we had at one time. Is there one single most element?

Mr. BAKER. The one single most thing that must happen that has been recognized, I think, in recent months is a rather difficult yet simple solution, and that is a reduction in labor costs in the auto industry. This is starting today and we all hope that that will come about, because certainly that can go a long way in reducing that unit cost gap.

The domestic car companies cannot continue to sell cars at rebates and at discounts and lose $1 billion a year. They are going to have to price their cars based on cost, and in order to do that, they must reduce their costs. The largest single element of that is labor, and that has to come down.

Senator QUAYLE. You recommend that the Government serve as a catalyst to attain cooperative agreement between the UAW and the U.S. auto companies. What specifically could we and should we be doing to serve as a catalyst between the UAW and the auto companies?

Mr. BAKER. I think the climate is right to bring the parties together, just as Governor Orr is doing in Indiana, for labor, management and Government officials to discuss their problems. I think that rather than having a study commission and rather than having an institute, I think what we need is a group of people representing all facets of the auto industry to sit down and talk out the problems and see if we can establish some national priorities and some national goals.

Do we want to have an auto industry? I am sure that that group would say yes, and from that would come some plan of action that would help put everybody's direction in focus, and it would be, I think, an effective way to get moving again toward being more competitive and reemploying some of these people.

Senator QUAYLE. Mr. Baker, thank you very much for a very thoughtful presentation. You have lived up to your very fine reputation of being a very respected and conscientious businessman and I want to commend you for a very fine job. I enjoyed getting to know you and look forward to working with you.

Mr. BAKER. Thank you.

[The prepared statement of Mr. Baker follows:]

BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

STATEMENT OF
JAMES K. BAKER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
ARVIN INDUSTRIES, INC.
COLUMBUS, INDIANA

JANUARY 11, 1982

Mr. Chairman and Members of the Committee:

My name is James K. Baker. I am President and Chief Executive Officer of Arvin Industries, Inc., a manufacturer and supplier of automotive parts and non-automotive products, based in Columbus, Indiana.

Arvin is a company that does about a half billion dollars in sales annually with approximately 60 percent of this volume automotive. We are a major supplier of exhaust system parts to General Motors, Ford and Chrysler.

There is no one in this room today who has not heard or read about the problems facing the U.S. auto industry, and few would take issue with the depiction of our domestic auto industry as one suffering from a declining total market, high labor costs, excess capacity, outmoded product lines, poor quality image, high prices, a loss of market share to foreign compotition, and high unemployment. All of these factors contributed to 1981 being the worst year for our domestic automotive industry in more than 25 years.

Certainly, these industry conditions have been felt at Arvin in the past three years. Our automotive sales declined 26 percent from $350,000,000

in 1977 to a low of $258,000,000 in 1980. Automotive profits for this period declined 77 percent form $59,600,000 to $13,800,000. None of these figures have been adjusted for inflation. Downward changes of this magnitude over a prolonged period necessitate the reduction of fixed assets and employment levels.

Our automotive employment has declined 40 percent from approximately 5,000 in January 1979 to the present level of about 3,000. This has resulted in our closing three of ten U.S. exhaust system plants.

Therefore, those who have been laid off in our plant towns have little hope of being re-employed in our automotive plants in the near term. Employment levels in each of our domestic automotive plants located in midwestern and southern communities have suffered in varying degrees from our general reduction in employment.

In January 1980, Arvin closed its Monroeville, Alabama, exhaust system plant, leaving some 250 people without jobs in a town of 7,000 residents. Before the closing, Arvin and another manufacturer were the principal basis for the industrial sector of the town's economy. In addition to industrial employment, many people in the outlying communities engage in marginal truck farming. When the Arvin plant closed, the industrial sector obviously was unable to absorb the unemployed; therefore, upon expiration of unemployment benefits, many workers were forced onto welfare while others returned to marginal farming activities and pulpwood cutting.

Retraining opportunities are limited in Monroeville because of the lack of technical and vocational schools in the area and most people were unwilling to relocate. The nearest metropolitan area is Mobile, some 50 miles away, too

far to drive daily. Taking this situation into consideration, we estimate that approximately half of these 250, or 125 former wage earners, will remain on welfare indefinitely.

When layoffs occurred in Columbus, the situation was quite different. With a population of 30,000, Columbus has a considerably stronger and more diversified industrial base. Besides Arvin, the headquarters of Cummins Engine Company and plants representing some other leading manufacturing companies are located there. In the past five years, an active economic development program, one of the best in Indiana, has located 15 new businesses in Columbus. (Seven of these are U. S. operations of international companies.) Opportunities for retraining are great in this city given a university branch, a state vocational school campus, and an excellent adult education program in the high schools. These activities make it possible for the automotive unemployed in Columbus to look to regaining meaningful work.

Other Arvin locations where layoffs have occurred fall between these two. This is typical of the supply industry as it is highly diversified in terms of community structure. It has been estimated that there are 40,000 firms located in every state in the nation supplying the auto industry. No doubt some are in Chicago, Detroit and Cleveland, however, a great number are in towns like Anderson and Kokomo, Indiana; Monroeville, Alabama; Monticello, Arkansas and Dexter, Missouri. From these two examples, we see that in the event of layoffs and plant closings, it is the nature of the community which determines to a great extent what can happen to the unemployed worker.

Also, we see that due to the diversity in our industry pertaining to location, type and size of companies involved, it is hard to make blanket assistance programs work.

The Trade Adjustment Act is a good example. It was designed to benefit those people who are unemployed as a result of foreign competition. However, Arvin automotive employees cannot receive the benefits of this program because the Department of Labor has ruled that exhaust systems are not imported as such, even though cars with exhaust systems are imported.

Today there are 211,000 layoffs by the U. S. auto manufacturers themselves, with an additional 400,000 laid off by suppliers. The costs associated with these 611,000 unemployed men and women are enormous. Based on numbers from the Goldschmitt Report, the cost including the lost tax revenue of this group of people being unemployed is $6.8 billion/year. This is not acceptable in today's environment of budget and tax restraint.

We simply must find a way to get these people back to work.

We believe that unemployment must be treated as the most serious of the problems now besetting this industry.

To accept these high levels of employment begs the issue of whether or not our economy and our society can afford to let a large part of our auto industry go offshore.

Full employment and an increasing standard of living in the U.S. demands a diversified manufacturing agricultural and service economy with a broad range of industrial and technical products including a strong automobile industry.

Once a restructured auto industry is achieved, efficient and competitive world-wide, that is the proper time to assess the need for permanent retraining and the redirecting of our labor resources to other economic ends.

In this longer-term context, economic development and retraining programs are good answers. Retraining of workers is practical where institutions, such as vocational schools, are in place to handle it. Otherwise, these programs degenerate into extended unemployment benefits or are used to increase the number of workers on local government payrolls at the Federal Government's expense.

Meaningful retraining takes time and I return to the premise that the best solution is to get these people back to work soon in the auto industry.

We need to create an environment in this country in which our auto industry can exist and compete in the world market. Presently Japanese manufacturers importing cars into this country enjoy a cost advantage of $1,000 to $1,500 compared to a similar American-produced model.

Even though Japanese workers are not paid as much as American workers, the greatest source of this advantage is structural. The real key to the success of the Japanes has not been rooted in low wages, but in the cooperation that is a part of their society. Government, business and labor work together towards a mutual goal.

If there is a lesson for us to learn from the Japanese, it is this idea of cooperation. Fortunately, we too have begun to move in this direction. The government under the Reagan Administration deserves high marks for ending the adversarial relationship present for so long under past administrations. This is evident in such actions as the Economic Recovery Act passed in 1981, the relaxation of regulations affecting the auto industry, and the negotiated reduction in Japanese imports.

However, these programs are insufficient. Regulations still plague the industry and the negotiated reductions have not been effective in our recessionary climate. Imports have continued to gain share in a declining market.

An effective coalition of government, business and labor designed to bolster the U. S. auto industry demands more. We need a continuing effort to reduce the burden of regulation, which is economically unjustifiable. We need to equalize the effect of trade barriers imposed by other nations to protect their auto industries. Every major auto producing nation in the world protects its auto industry except the United States.

We can create an environment in this country in which our auto industry can exist and compete effectively in a world auto market which in turn will cause the re-employment of a high percentage of laid off auto workers. For this to happen, everyone must do their part.

- Unions must be willing to renegotiate the cost of labor.
- Domestic manufacturers and suppliers must be willing to pass on savings derived from reduced regulation. They must also invest to reduce costs and improve quality.
- The government must continue to ease the burden of regulation on the auto industry, as well as to enact legislation that will equalize trade barriers. Here there are three alternatives:

  (1) We can negotiate meaningful limitations on imports

  (2) We can seriously negotiate for the removal of foreign trade barriers

(3) If negotiations fail to reduce the trade advantage currently given to foreign manufacturers, the U. S. Government must be prepared to go as far as enacting local content legislation.

We would recommend that the Government act as the catalyst to obtain the cooperative agreement between the UAW (to renegotiate the cost of labor), and the U. S. auto companies (to pass savings from lower labor costs, less regulation, and higher productivity on to consumers), and then enact legislation to equalize trade barriers.

All three groups are receptive to an early solution to this grave and costly problem.

Thank you for this opportunity to present my view.

Senator QUAYLE. The committee will stand in adjournment until 10 tomorrow morning.

[Whereupon, at 1:48 p.m., the subcommittee was adjourned.]

# EMPLOYMENT AND THE AMERICAN AUTOMOBILE INDUSTRY, 1982

TUESDAY, JANUARY 12, 1982

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
*Washington, D.C.*

The subcommittee met at 10:08 a.m., in room 4232, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senator Quayle.

## OPENING STATEMENT OF SENATOR QUAYLE

Senator QUAYLE. The committee will come to order.

Yesterday we heard a number of witnesses, public officials, labor officials, describe the magnitude of the problem of unemployment in the auto industry. There is no doubt that there are serious problems within the auto industry. It has been described, rightfully so, not necessarily as a recession but as a depression in some particular areas.

The theme of the hearings yesterday, went along two routes: one, that there was hopeful optimism that there will be recovery in the auto industry; and, second, that there was a realization that not all the autoworkers that are unemployed will be returning to the auto industry employment, even when there is full recovery.

Furthermore, retraining in the responses from almost all the witnesses was very affirmative and supportive of moving in a direction to communicate with unemployed workers to seek retraining, to see new skills and to seek diversification.

We heard an interesting story from the Downriver Community Center of Wyandotte, Mich., about retraining and placing autoworkers that have lost their jobs. I am sure that we will hear again today that human misery and suffering that goes with the families and the individuals who are out of work. These people do not want to be unemployed. They want to work. They do not want to move. They want to stay there with their families; they want to stay with their friends and the people that they have grown up with.

Today we have three witnesses. The first is a very distinguished colleague of mine in the House of Representatives who certainly knows the auto industry and the constituents of the center part of Indiana, Muncie. He has Richmond, he has all sorts of new industries, too, now that they have drawn the lines in Indiana. I am not

sure where they all go right now, but it is my pleasure to have as the first witness the Congressman from the former 10th District of Indiana, now I guess the 2nd District of Indiana, Phil Sharp.

**STATEMENT OF HON. PHIL SHARP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA**

Mr. SHARP. Thank you, Mr. Chairman. I applaud the fact that you are holding these hearings and trying to discern what we in Government can or should not do in an effort to put people back to work, and I appreciate your giving me the opportunity to testify.

If it is all right with you, I would like for my written testimony to be a part of the record and I will just summarize for this morning.

Senator QUAYLE. It will be incorporated in the record.

Mr. SHARP. As you have indicated, and I know you have heard from others, we are facing in Indiana particularly severe unemployment problems which the national figures show that 11.4 percent of our people are out of work. But if you go to the main community that I represent in Muncie, it is 14 percent, or in New Castle it has been in the range of 20 percent. And those figures, as you know, really do not tell the story of the human misery and the agony that people go through when they are out of work or, as many of our people fear, that will be brought out of work next month or the month after, and they live in a continuous state of nervousness of whether they will be able to meet the needs of their families.

We know in our part of the country what has happened in the automobile industry is central to the economic problems that we are having. Last year the auto industry sold only 6.2 million cars, the lowest since 1961. Our chief competitor is now the leader in auto sales. The year before they sold 11 million which we consider an optimum year for auto sales in this country. We have seen the foreign sales in this country continue to rise; even though they failed last year, they have become a greater part of the market so that we have a situation where 1 in 4 cars sold in this country is produced abroad. And while American consumers are buying those cars, many think they have gotten a good deal; in return, we have gotten a lousy deal for a lot of citizens who are out of work and for a lot of other citizens who do not work in the auto industry but, in fact, find themselves with less income or out of work because autoworkers are not buying shoes, and because they are not paying taxes that pay their salaries. In our part of the country, I think everybody understands, whether they like it or do not like it, they are tied in with this critical industry in this country. We know there is a lot of blame that can be passed around. Some blame foreign governments, some blame foreign countries for their labor practices. Some blame our Government for its regulatory practices or inaction on high interest rates or inaction on trade practices of other countries. Some blame American labor for demanding too much or too inattentive to quality of work. Some blame American management to its inattentive workers or quality of work or demands of the automobile consumer. I am sure we could find a kernel of truth in all of those kinds of accusations and charges.

And for several years those have been flying wild in the American public, and I do not think it is useful to try to put the finger on somebody else although I tried to survey labor leaders and management leaders in my area for their opinions, and I got a variety of those kinds of claims, usually about the other guy being the problem in this situation. But I think, first and foremost, if we are going to get ourselves out of the situation we are in, labor and management have to change. I think they know that. They are painfully aware of that.

The average guy on the line that I talk to or his labor leader or the plant manager in management in our State now know the hard realities that they face in international competition, the need to meet consumer demand, and they are concerned about American quality of work. And I hope the American consumer will take a look at these products that are coming out on the line. Chrysler managed to have a better year this year, even though the whole industry was suffering.

Second, we in Government have some responsibilities, too, and I think that has to be very true. One of the things I hope your subcommittee, although it does not have direct direction, is to identify what are the trade practices that we face abroad; what is it that Mexico does, that Japan, that France, and Germany do in order to protect their markets. Because the reality is it is harder for us to sell our cars abroad than it is for foreigners to sell their cars here. Various tax schemes have been used; various content law requirements where Mexico requires that a certain portion of the car has to be made in Mexico, so an American company builds a plant in Mexico, meets the Mexican requirements, and then finds it is cheaper to send the parts back to Indiana. A loss of jobs to Indiana.

Mr. Chairman, I think it is time this Congress took a close look at a content law for this country. I am not prepared to endorse that concept myself. I think what we have to do is find out what are the potential consequences of that action. What are the consequences if we should require 50 or 75 percent of the cars sold here or the fleets sold here be manufactured in this country? That is a protectionist measure that is a radical shift from past policy in this country, and protectionism usually has not paid off. But we cannot operate in a world that is indifferent from what is happening in other governments. We need to find out whether there is a potential loss of American jobs through trade retaliation or whether we will be, in fact, saving lots of American jobs. We need to find out whether we are going to see a strengthening of the American standard of living by a content law or will we weaken efficiency and weaken our standing in the long run? It is high time that we in the Congress find out the answers to that. And I would hope that your subcommittee could find out some answers to that question.

Third, as you and I and everybody else knows, this industry, like a lot of other industries in this country, is hurt by a high interest rate, tight money policy. We find sales are deeply down. We find real estate is hurt because of expansion rates, and there are two places to look for blame there. One, the Federal Reserve must ease up; two, it has run a too high an interest rate for too long, and we

in Congress have to face up to high deficits which tend to compete for the borrowed dollar out there, and to drive up interest rates.

Well, Mr. Chairman, you have a tough task before you in this subcommittee and I appreciate the fact that you are trying to grapple with the various contending points of view on what we ought to do. I think that we have to place that first responsibility on the industry itself. I think the industry and labor understand that, but I think we have an additional responsibility to particularly make sure trade rules are fair, fight fire with fire, and we have to seriously consider a content law in this country. And we have to do something economically on the policy front to bring down those interest rates. I think if we see the kinds of cooperation that they have in Japan between management and labor, and government and industry, I think we will be the fiercest competitors in the world. I am optimistic about 3 or 4 years from now. What worries me is the people out of work now and where we are going to be for the next 3 or 4 years.

Thank you very much for this opportunity, Mr. Chairman.

[The prepared statement of Congressman Sharp follows:]

# Congress of the United States

## House of Representatives

### Washington, D.C. 20515

JANAURY 12, 1982

STATEMENT OF CONGRESSMAN PHIL SHARP BEFORE THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

Chairman Quayle:

I appreciate your affording me an opportunity to discuss the problems of the automobile industry this morning. I as a Congressman, and you as a Senator representing one of the hardest hit areas of auto industry unemployment, know that the dimensions of the problem cannot be understated. You are to be commended for helping stimulate public discussion of and debate on the problems of the industry, and I hope this effort helps identify and develop effective long-term solutions.

287,000 Indiana workers are without jobs. Indiana's unemployment rate stands at 11.4%—3% above an already high national average. The many cities and smaller towns dependent on the auto industry all have double digit unemployment rates. Although many of the people I represent earn their livings directly in manufacturing or selling automobiles, many more find themselves directly affected by the severe condition of the industry. Whether they sell clothes or teach school, the impact of unemployment in the auto industry is being felt far and wide across most communities in Indiana. Assistance and benefit programs are temporary in nature and they have in many cases run out. The unemployment figures do not count those who have given up and left Indiana for other places where there is more stable and long-term employment.

As you may know, the final 1981 auto sales figures were released last week and record the worst year for domestic manufacturers since 1961. Although the 11% increase in Chrysler sales was encouraging, the overall 6.2 million sales level is a dismal confirmation of the state of the U.S. auto industry. Of equal concern is the fact that sales of foreign cars, although down 4.8%, managed to increase its share of the total U.S. automobile market to 26.8%. This is at a time when all recognize the need for a massive investment program to replace plants, equipment and machinery in order to be competitive in the future.

All of us fall into the habit of trying to blame some or all of our problems on someone else. Some blame foreign governments or labor practices of foreign companies; some blame the government for regulatory action, for inaction on trade issues or on its tight money policy; some blame American unions for demanding too much or being indifferent to the quality of work; some blame American management for its salaries, its indifference to changes in consumer demand and its approach to quality control and to its workers. There may be an element of truth in all these charges, but I doubt any one of these claims is the whole truth. There is enough blame for all to share, but it shows that all must contribute to the solution.

First and foremost, labor and management must do all they can to make the industry more competitive. Although the primary responsibility for change must be theirs, the government should have an active role in resolving a clearly major and national problem. In preparing this testimony, I sought the opinions of union leaders and management in my district, and I got a variety of opinions on how we should proceed. But I believe there is a strong feeling—and there has been for some time—

that the industry must change. There is strong evidence that both labor and management are changing and adapting to shifts in consumer demand and to the hard realities of fierce international competition.

International trade policy, however, is beyond the role of labor and management and it is in this area that the government needs to act. The Administration and the Congress must take far more seriously the trade practices of other countries which are damaging our industries. Special tax schemes, local content requirements and various quality specifications discourage sales of U.S. cars abroad and encourage sales of foreign products in America. We cannot allow any unfair advantages to continue for our competitors. We must fight fire with fire.

Consequently, the Congress must investigate thoroughly and quickly the need for and possible consequences of adopting a requirement that a certain portion of each automobile, or each auto fleet, sold here be manufactured in America. This would represent a radical departure from American trade practices of the past, but it may be necessary. Before adopting such a policy, however, we must make sure we understand as fully as possible the consequences of such a decision for the American economy and American workers now and in the future. Would such a law save hundreds of thousands of auto jobs? Would it cause the loss of other American jobs through retaliation? Would such a law save a vital industry or would it in the long run weaken the efficiency of that industry and the overall economy? Would it in the long run help preserve the American standard of living or would it contribute to its decline? Would such a law protect large numbers of good paying jobs, the level of national income and standard of living or would the economy benefit more by the consumer having a better price on his car? The Congress must try to find answers to these and related questions.

I am urging the House and Senate subcommittees with responsibility for international trade policy to serious consider this issue this year. Examination must be given all trade practices. A fundamental change may be necessary, and it is time to know if this is the direction we should take.

Mr. Chairman, I am reluctant to see us rush headlong into a stringent "protectionist" policy, and past history has suggested that rarely is such a policy in the long run interest of our economy and the world economy. Nevertheless, we cannot be indifferent to what other governments do to help their local industries at our expense, or to the impact of American firms building aboard and shipping back auto parts and completed products. We have seen this in other industries and we must ask ourselves whether in the long run we aren't eroding the American standard of living.

Any current discussion of the condition of the U.S. auto industry cannot avoid mention of the impact of high interest rates. I am distressed by recent reports that the Federal Reserve will further tighten the money supply and we can expect continued, of not increased, high interest rates. The Congress adopted the President's economic program of tax and spending cuts. Clearly, the figures have not added up, as many of us warned in February. The deficit this year and in the next few years is projected to be the highest in the history of the country. The Congress and President must come to grips with the deficits or the pressure of record government borrowing will continue to add to the problem.

Labor, management and government have taken some initial steps in the right direction. There must, however, be a stronger commitment among all to resolve the problems being experienced by the auto industry. For our part, we must focus our attention as soon as possible on international trade policy and bringing interest rates under control. Unless we renew our efforts, the future may be bleaker than today.

Senator QUAYLE. Thank you very much, Congressman Sharp.

Let me support your idea that labor and management have got to come together and to work harmoniously rather than continue traditionally hostile, adversary relationships.

My opening remarks yesterday, I referred to the historic renegotiation of the contract, the auto industry and the UAW are undertaking right now, and these are the problems, I think this is a signal, that we are entering into a new era where there is going to be more conciliation and more responsiveness and pulling together of the two. A number of people that examined the issue of increasing productivity, which we are all for, identified labor management relations as the single most important area for improvement of productivity that we can do.

I wonder if you have any ideas on what Members of the Congress could do to further the reconciliation of business and labor other than public pronouncements, and trying to create a perception that they ought to be working together. And I think Government ought to be involved in that, too, instead of always being in that adversary role to business and to labor that we ought to perhaps examine ourselves in what kind of barriers that we are instituting. I wonder if you might have some comments on that.

Mr. SHARP. I think first and foremost the thing that we can do is to talk it out. We can help create a climate which people understand the hard realities that they are facing and the need to work together, help them understand what happens in Japan, where I visited a plant where they had not had a strike since 1961, and a lot of those cars we saw manufactured are in Indiana right now. Both labor and management is responsible for that.

Part of that is a cultural difference which I do not think we want to give up our individuality to the extent that the Japanese live more as a group than we are willing to as Americans. But there is no question that we can do more. And the first thing we can do is the assistance through our individual conversations with labor and management, as well as our public statements.

Second, I think there is a role to be played and, of course, there have been institutions in the Government for playing this role for years and years and years; the Federal Mediation and Conciliation Service can certainly play a role of coming into these situations. That service, of course, waits to be invited, and sometimes neither labor nor management wants to take advantage of those services. It is quite possible that the Government could develop advanced involvement until we have a very tense situation.

But the thing that is most hopeful, I think, is, without Government, I think you are going to find that labor and management themselves have to understand this. They are in the boat together. It is sinking at the moment. And when people understand that concept, they suddenly take new attitudes.

At the Chrysler plant in Newcastle, Ind., we have labor people offering to come in for a dollar a year to retool, to get another contract. We have workers on the line who are allowed to blow the whistle on a foreman who is saying speed it up, do not worry about the quality.

Those situations may have existed in somebody's mind or maybe technically were possible under the rules in the past. They just did

not happen, and you can hear stories from labor and management, both accusing each other of the quality problem. That, I think, is where the hope lies.

Senator QUAYLE. Let me ask you one final question, and it is specifically directed to the present unemployment problem and the presently unemployed autoworkers.

We have a number of them in our State—you have a number of them in your district. What should our counsel be to those people? Should we say, well, things are going to get better, we will get better trade policies, maybe we will have better labor-management relations. We will get out of this session and you will be able to go back to work in the Newcastle plants. Or should we take an approach, say, well, some of you are going to go back, but even the most optimistic reports, those from auto officials, both in business and labor, indicate that even when we go back to the boom times, there is a certain amount, maybe as high as 60 percent, at least 60 percent are not going to go back.

What should be our counsel to those unemployed people? Should we be emphasizing that we are trying to get the retraining; we ought to encourage them to go back in the classroom to get a new skill because those skills that they are trained for are not enough. What should your counsel be as a public official, as a Congressman, as a Senator, be to those unemployed people that we find right now in our home State?

Mr. SHARP. I think it has to be as realistic as we can possibly perceive what reality is. I think everybody knows the auto industry is not going to be back to 11 million vehicles a year production, and even if it does achieve that, there will be fewer workers on the line to achieve those rates because in order to compete, there is going to be investments in robotics that are going to change this industry. However, and I think that the people in Anderson, Ind., and Muncie and New Castle are not going to be able to count as they did in the sixties on the same number of jobs being available through this particular industry. That is most likely to affect younger people coming into the work force, I think. There is a margin of people that are not likely to be called back. They are probably the ones with lesser seniority, very likely obviously in the situation.

But I do think there is a dramatic difference between production of 6 million, which we saw last year, and 9 million vehicles in this country, and the numbers of people who are going to be employed. So a lot of those people can go back to work in this industry as it recovers.

But you are right, it is never going to be the peak that we had come to learn to expect. I think we ought to try to facilitate training. I think we ought to—we have the service in every State—I cannot think what the proper title is—the unemployment office basically which is capable, has the capacity, we spend an awful lot of money on it, but I am not sure how good the service is for people to find other jobs. Some people in this country are going to move. We are a highly mobile population, and those are the tough realities that some people are going to face.

But I would stress there still is a major difference between the production of 6 and 9 million vehicles in this country, and there are some things that we can do about that.

Senator QUAYLE. There is no doubt that there is a major difference in the 3 million vehicles, but what I am trying to get to, is that a certain segment of our people are going to have to consider retraining, and they have got to come to the realization that, by golly, we are going to have to get to something else. We had an economics professor from Kokomo yesterday saying that the high technology industries are where some people ought to be moving. They ought to be going back to the classroom, get some training, and pursue another career.

Mr. SHARP. I think you are absolutely correct.

I must say I have had complaints from former UAW workers who say the CETA program no longer has money available for training in our area. So it is not there, or that the community after school program, that does help give some adult education.

Senator QUAYLE. The funds are being cut back. So some of the places that people could have turned to in the past, are being cut back at this point. When those are the kinds of facilities that we are going to use for retraining, we are going to have to either find a better organizational method of doing it or put up some bucks. I do not think it is going to happen automatically. I do think that people have to understand that the need is there. But I have people continually coming into my office, asking me, what happened, I thought there was a chance to get retraining. Where do I go?

I think this is what we have to do. In CETA, the major cut was in public service. Those programs have been left intact. Maybe they are not as intact as you and I would like to see, but the concept and principle is still there. But the role of the Federal Government, particularly in the past, has been one of only income maintenance, and I am not saying we are going to do away with income maintenance programs in certain situations. People who are unemployed for a period of time, whether it is 26 weeks or 39 weeks, 52 weeks, need income maintenance and trade adjustment assistance is certainly a proper course of action. But when you look at the expenditures of money where you spend $2.7 billion under the trade readjustment assistance, and only $10 million under that act in training, I think we have an imbalance that needs to be corrected. The income maintenance connotes to workers, "Do not worry, you will be back." We say, "No, you will not be back. You have to retrain for the future." And we as people in the Federal Government have got to beware that psychology and prepare for the future and the opportunities of the future.

Mr. SHARP. I do not think there is any question. You are right that people have to understand that they can do it. We have to provide the institutional work by which they can find that possibility for retraining, and that is going to take, unfortunately, some money.

One of the keys to this, and one of the reasons that the training programs in the past have been a failure, is because they are not necessarily linked directly to jobs. Someone goes out and they decide we will have training in our IV Tech, we have a good IV Tech system in Indiana, that is what we call it. The training for

jobs but, too often, it is sort of 6 months ahead, somebody made an assessment, there might be some needs for this, people are trained for it, but there are not actual job slots. So we have to find a way of linking together real jobs, real estate, and perhaps that has to be done by the industry itself rather than the Government doing it. But it may take some Government mechanism to help stimulate that to happen so that people are being trained for something that is real.

Senator QUAYLE. I certainly believe that is the thrust. Any training program ought to be result oriented, and the goal ought to be job placement. Obviously there is no substitute for a growth economy, one that will generate jobs.

Mr. SHARP. When the private economy is going, it will run out of people anyway. It will sponsor that.

Senator QUAYLE. It will do its share, and there is always that segment that they will not do but that is where the role, at least in my opinion, the role of the Federal Government is right and proper.

Thank you very much, Congressman.

Mr. SHARP. Thank you very much.

Senator QUAYLE. Next is the Assistant Secretary for Economic Affairs from the Department of Commerce, Robert G. Dederick.

**STATEMENT OF ROBERT G. DEDERICK, ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS, U.S. DEPARTMENT OF COMMERCE, ACCOMPANIED BY ROBERT COLEMAN, BUREAU OF INDUSTRIAL ECONOMICS**

Mr. DEDERICK. Mr. Chairman, I am accompanied by Robert Coleman of the Department of Commerce's Bureau of Industrial Economics.

I am pleased to appear before you today to provide an overview of current conditions in the automobile industry, with emphasis on the employment situation. Now, as we heard from other industry witnesses, the difficulties of the auto industry cannot be attributed to one cause. In part the problems reflect the very basic changes occurring in the demand for passenger cars and light trucks. In part they reflect the unsettled economic conditions inherited from the past. In part they reflect decisions made by the industry itself, decisions which—along with developments abroad—have eroded the industry's international competitiveness. And in part they reflect impediments that Government has imposed on the industry.

The months immediately ahead will continue to be difficult for the industry. But, looking beyond, I see reasons for optimism. The administration is attacking the unsettled economic conditions and the needless impediments. The industry is making, by anybody's standards, an extraordinary effort to respond to the changes in market demand. Management and labor appear to be increasingly committed to the steps required to restore the industry's international competitiveness.

Nevertheless, there is debate about whether the industry will return to its best sales and employment levels of the past in the foreseeable future. Time will settle that argument. Regardless of the outcome, I see no reason not to anticipate a viable, albeit

changed, American automotive industry in the years ahead. The changes will be especially apparent in employment. For a variety of reasons, it is unlikely that employment will return to previous levels even if sales of domestic autos fully recover.

Because sales dictate everything else that happens within the industry, I would like to review 1981 activity and give our view of the sales prospects for 1982.

As you are aware, the U.S. automobile market has been in a severe slump since the spring of 1979. Total new car sales for 1981 fell to 8.5 million units, down 5 percent from 1980—another dismal year—and 25 percent from 1978, the industry's last peak year. Sales during 1981 of domestic-made new cars fell to about 6.2 million units, off 6 percent from 1980 and 33 percent from 1978. With sales of imports at 2.3 million units, the import penetration ratio for the entire year was 27.3 percent, slightly above the 26.7 percent experienced in 1980. Fourth quarter activity was especially disappointing, with total sales at an annual rate of 7.4 million units, seasonally adjusted (SAAR), and domestic sales at a level of 5.2 million units, SAAR.

The light truck picture was even less encouraging in 1981. Total light truck sales ended 1981 at an estimated 2 to 2.1 million units, about 7 percent less than in 1980 and 45 percent under the 1978 peak. Sales of domestic-made light trucks for 1981 reached an estimated 1.6 million, down 8 percent from 1980 and 53 percent from the 1978 peak.

Obviously the industry's sales outlook for 1982 will be dominated by the timing and vigor of the economic recovery. Many forecasts, including our own, point to passenger car sales in the range of 9 to 9.5 million units, of which 2.3 to 2.4 million units will be imports. We expect that total light truck sales for the year will be 2.3 million units, in part reflecting the anticipated introduction in 1982 of new lines of mini pickup trucks by the domestic manufacturers. These estimates mean a year better than 1981, and probably 1980, but still one considerably poorer than 1979 and 1978.

Unlike the previous automotive recessions, the present one is not entirely cyclical in nature. In addition to cyclical influences, the downturn in domestic-make sales reflects an apparent slowdown in the long-term growth rate of demand for automobiles, together with the impact of sharply intensified international competition for the U.S. market.

The slower growth rate for automotive demand results from (1) demographic factors; (2) erosion of consumers' discretionary purchasing power by inflation—while we intend to reverse this trend, full recovery will take time; and (3) sizable increases in the relative price of owning and operating a car.

To these factors must be added the widespread perception among consumers—whether right or not is another issue—that the quality of foreign imports exceeds that of domestic-made cars—a consumer attitude that we cannot expect to see reversed overnight. And, finally, there is the factor of the relative cost advantage of Japanese auto manufacturers, which most recent studies put at between $1,000 and $1,500 per unit—indeed some suggest an even higher figure. On this last point, it is perfectly clear that U.S. producers do know the facts and that their enormous investment outlays over

the last several years have been directed in part at narrowing the cost gap. But severe cash flow pressures now appear to be causing investment stretchouts and postponements, to the detriment of longer term competitive prospects. Moreover, I do not see any reason to believe that the Japanese will stand still, which implies a longstanding cost challenge for our companies.

I want to turn now to the President's program for the domestic auto industry, announced April 6 last year. Before summarizing its accomplishments, I would like to remind the committee of two themes the President emphasized when he introduced the program. The first was that revitalization of the auto industry depends upon revitalization of the entire American economy. The second was that central responsibility for industry recovery lies with management and labor. I cite these points because it is important to recognize that the President's program never intended that Government should solve the problems of the auto industry. While the administration is firmly committed to building a strong economy and dismantling unjustified interference in industry affairs, it is just as firmly committed to insisting that business should solve the problems of business.

The first step in the President's program called for the enactment of his economic recovery program. The main elements have, of course, now been put in place. We are temporarily going through the inevitable pain of wringing inflation out of the economy. However, on the basis of recent economic indicators, it appears that the groundwork is being laid for a strong pickup in economic activity in the second half of 1982. As the recovery develops, there is no question that the new business tax provisions in the program will help give the auto companies a much needed injection of higher cash flow. Further, as the arrangements recently announced by Ford and Chrysler show, the leasing provisions in the new tax law provide the auto manufacturers with an additional means to improve their cash flow.

Next, the President's program called for the review, rescission, or reproposal of 34 auto-related regulations. To date, I am happy to say, action has been taken on 22 of these proposals, with an estimated savings in industry costs of $636 million over 5 years. Another eight will be acted upon by March this year; they will provide an additional cost savings of $594 million. The removal of the four remaining regulations would provide an estimated cost savings of $188 million over the next 5 years. As an aside, I would like to mention the industry would benefit from the adoption of the legislation, such as that now being considered by Congress, to relax emission standards.

In the antitrust area, the President's program has also made substantial progress. On June 29, the Department of Justice advised the court that the Government wished to withdraw its motion to extend prohibitions against certain cooperative ventures among auto companies and against joint presentations by auto companies before regulatory agencies. Further, Justice has decided to seek court modification of what is called the smog decree, to permit the auto companies to engage in joint research ventures that would otherwise be lawful under the antitrust laws.

As regards the trade aspects of the program, the Department of Commerce has put into operation a system to monitor closely U.S. imports of Japanese-made cars. Beyond that, the Department has pursued an active program to increase sales of U.S-made auto parts to Japan and in the U. S. aftermarket (replacement parts) for Japanese cars.

In the area of worker assistance, another component of the President's package, amendments to the trade adjustment assistance program reflect the hard realities of an austere budget but recognize that retraining of displaced workers is one of the aims of any adjustment assistance program. I will leave the rest of the discussion on adjustment assistance to Acting Deputy Assistant Secretary Roland Droitsch from the Department of Labor.

Finally, in one specific but minor area, budget considerations clearly took precedence over what had originally been proposed in the President's program. A budget request to Congress for $100 million to accelerate Federal purchases of cars and trucks was denied.

The Department of Commerce has the responsibility for monitoring, coordinating, and ramrodding, if need be, the implementation of the President's auto industry program. I am pleased to be able to report that the Department has not had to function as a ramrod when it comes to the execution of the program. The progress already made demonstrates that the agencies assigned tasks have pressed forward vigorously. In Commerce we have taken many of the steps required to continue to coordinate Government activities associated with the auto industry. Transfer of responsibilities from the Department of Transportation to Commerce has occurred. Commerce is now working on a regular basis with the Transportation Systems Center in Cambridge, a rich source of information and analysis on the auto industry. Indeed, I have a meeting with those people this afternoon.

Within Commerce, in our Bureau of Industrial Economics, we are expanding our auto staff. We are preparing status reports on industry developments, like the one submitted to the Senate Finance Committee in December, and we intend to make this a regular product. We have established an interagency network to monitor progress on the President's program.

Since late 1979, unemployment has been widespread in the automotive industry. Unemployment peaked in August 1980 with 250,000 production workers--32 percent of the hourly work force—and 50,000 salaried workers on indefinite layoff from the car manufacturers. At the same time, unemployment among domestic parts and component manufacturers and other automotive suppliers reached an estimated 650,000.

During the first 7 months of 1981, the number of production workers on indefinite layoff declined to a level of 152,000. Since July, the number on indefinite layoff has increased again, reaching 214,500 in the first week of January. Still, total U. S. employment, including salaried personnel, of the five car companies is currently only 740,000, compared with an alltime peak of 1,033,000 in the fourth quarter of 1978.

The domestic auto industry is now undergoing the most far-reaching adjustment in its history. Many of the changes in this

process will mean fewer job opportunities in domestic operations. The changes that will have the most significant effect on employment are as follows:

1. A decline in the growth rate in demand for cars.
2. The increased use of foreign-built components, such as engines and transmissions in domestically assembled models.
3. The continued shift to smaller cars which entail less labor in both the components and the final assembly.
4. The increased use of automation to achieve the lower unit labor costs and improved quality that are necessary to be competitive internationally.

Depending upon the pace of these changes, employment in the basic automotive industry during the mid-1980's could be several hundred thousand persons below the 1978 employment peak. A parallel loss of jobs could be experienced in the supplier industries as a result of similar changes. Nobody can be happy with such a prospect. Still, rapid and successful accomplishment of cost-cutting changes is imperative if we are to have a domestic industry that is competitive internationally. Failure to change will lead to even greater job losses.

I am aware that there are individuals who would like to see the Government doing more for the automobile industry. But in response to those urging much deeper Government involvement, I would point out that the record of the past gives little reason to believe that any amount of Government assistance directed at an industry can make that industry truly healthy and competitive or guarantee that its workers have secure jobs. Our tasks are to reduce inflation, to foster the growth that generates new job opportunities, and to eliminate unnecessary impediments to industrial performance. We are tackling those tasks. The rest belongs to management and labor within the auto industry itself.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Dederick follows:]

STATEMENT OF ROBERT G. DEDERICK

ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS

U.S. DEPARTMENT OF COMMERCE

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

OF THE

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

JANUARY 12, 1982

STATEMENT BEFORE THE

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SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

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MR. CHAIRMAN, I AM PLEASED TO APPEAR BEFORE YOU TODAY TO PROVIDE AN OVERVIEW OF CURRENT CONDITIONS IN THE AUTOMOBILE INDUSTRY, WITH EMPHASIS ON THE EMPLOYMENT SITUATION.

THE DIFFICULTIES OF THE AUTO INDUSTRY CANNOT BE ATTRIBUTED TO ONE CAUSE. IN PART THE PROBLEMS REFLECT THE VERY BASIC CHANGES OCCURRING IN THE DEMAND FOR PASSENGER CARS AND LIGHT TRUCKS. IN PART THEY REFLECT THE UNSETTLED ECONOMIC CONDITIONS INHERITED FROM THE PAST. IN PART THEY REFLECT DECISIONS MADE BY THE INDUSTRY ITSELF, DECISIONS WHICH--ALONG WITH DEVELOPMENTS ABROAD--HAVE ERODED THE INDUSTRY'S INTERNATIONAL COMPETITIVENESS. AND IN PART THEY REFLECT IMPEDIMENTS THAT GOVERNMENT HAS IMPOSED ON THE INDUSTRY.

THE MONTHS IMMEDIATELY AHEAD WILL CONTINUE TO BE DIFFICULT FOR THE INDUSTRY. BUT LOOKING BEYOND, I SEE REASONS FOR OPTIMISM.

THE ADMINISTRATION IS ATTACKING THE UNSETTLED ECONOMIC CONDITIONS AND THE NEEDLESS IMPEDIMENTS. THE INDUSTRY IS MAKING, BY ANYBODY'S STANDARDS, AN EXTRAORDINARY EFFORT TO RESPOND TO THE CHANGES IN MARKET DEMAND. MANAGEMENT AND LABOR APPEAR TO BE INCREASINGLY COMMITTED TO THE STEPS REQUIRED TO RESTORE THE INDUSTRY'S INTERNATIONAL COMPETITIVENESS.

NEVERTHELESS, THERE IS DEBATE ABOUT WHETHER THE INDUSTRY WILL RETURN TO ITS BEST SALES AND EMPLOYMENT LEVELS OF THE PAST IN THE FORESEEABLE FUTURE. TIME WILL SETTLE THAT ARGUMENT. REGARDLESS OF THE OUTCOME, I SEE NO REASON NOT TO ANTICIPATE A VIABLE, ALBEIT CHANGED, AMERICAN AUTOMOTIVE INDUSTRY IN THE YEARS AHEAD. THE CHANGES WILL BE ESPECIALLY APPARENT IN EMPLOYMENT. FOR A VARIETY OF REASONS, IT IS UNLIKELY THAT EMPLOYMENT WILL RETURN TO PREVIOUS LEVELS EVEN IF SALES OF DOMESTIC AUTOS FULLY RECOVER.

BECAUSE SALES DICTATE EVERYTHING ELSE THAT HAPPENS WITHIN THE INDUSTRY, I WOULD LIKE TO REVIEW 1981 ACTIVITY AND GIVE OUR VIEW OF THE SALES PROSPECTS FOR 1982.

INDUSTRY SALES FOR 1981

AS YOU ARE AWARE, THE U.S. AUTOMOBILE MARKET HAS BEEN IN A SEVERE SLUMP SINCE THE SPRING OF 1979. TOTAL NEW CAR SALES FOR 1981 FELL TO 8.5 MILLION UNITS*, DOWN 5 PERCENT FROM 1980 (ANOTHER DISMAL YEAR) AND 25 PERCENT FROM 1978, THE INDUSTRY'S LAST PEAK YEAR. SALES DURING 1981 OF DOMESTIC-MADE NEW CARS FELL TO ABOUT 6.2 MILLION UNITS*, OFF 6 PERCENT FROM 1980 AND 33 PERCENT FROM 1978. WITH SALES OF IMPORTS AT 2.3 MILLION UNITS*, THE IMPORT PENETRATION RATIO FOR THE ENTIRE YEAR WAS 27.3 PERCENT, SLIGHTLY ABOVE THE 26.7 PERCENT EXPERIENCED IN 1980. FOURTH QUARTER ACTIVITY WAS ESPECIALLY DISAPPOINTING, WITH TOTAL SALES AT AN ANNUAL RATE OF 7.4 MILLION UNITS (SEASONALLY ADJUSTED) AND DOMESTIC SALES AT A LEVEL OF 5.2 MILLION UNITS (SAAR).

THE LIGHT TRUCK PICTURE WAS EVEN LESS ENCOURAGING. TOTAL LIGHT TRUCK SALES ENDED 1981 AT AN ESTIMATED 2.0 to 2.1 MILLION UNITS, ABOUT 7 PERCENT LESS THAN IN 1980 AND 45 PERCENT UNDER THE 1978 PEAK. SALES OF DOMESTIC-MADE LIGHT TRUCKS FOR 1981 REACHED AN ESTIMATED 1.6 MILLION DOWN 8 PERCENT FROM 1980 AND 53 PERCENT FROM THE 1978 PEAK.

*PRELIMINARY 1981 YEAR-END FIGURES.

SALES OUTLOOK FOR 1982

ODVIOUSLY THE INDUSTRY'S SALES OUTLOOK FOR 1982 WILL BE DOMINATED BY THE TIMING AND VIGOR OF THE ECONOMIC RECOVERY. MANY FORECASTS, INCLUDING OUR OWN, POINT TO PASSENGER CAR SALES IN THE RANGE OF 9.0 to 9.5 MILLION UNITS, OF WHICH 2.3 to 2.4 MILLION UNITS WILL BE IMPORTS. WE EXPECT THAT TOTAL LIGHT TRUCK SALES FOR THE YEAR WILL BE 2.3 MILLION UNITS, IN PART REFLECTING THE ANTICIPATED INTRODUCTION IN 1982 OF NEW LINES OF MINI PICKUP TRUCKS BY THE DOMESTIC MANUFACTURERS. THESE ESTIMATES MEAN A YEAR BETTER THAN 1981, AND PROBABLY 1980, BUT STILL ONE CONSIDERABLY POORER THAN 1979 AND 1978.

ASIC CAUSES OF THE INDUSTRY'S PROBLEMS

UNLIKE THE PREVIOUS AUTOMOTIVE RECESSIONS, THE PRESENT ONE IS NOT TIRELY CYCLICAL IN NATURE. IN ADDITION TO CYCLICAL INFLUENCES THE L NTURN IN DOMESTIC-MAKE SALES REFLECTS AN APPARENT SLOWDOWN IN THE LONG-TERM GROWTH RATE OF DEMAND FOR AUTOMOBILES, TOGETHER WITH THE IMPACT OF SHARPLY INTENSIFIED INTERNATIONAL COMPETITION FOR THE U.S. MARKET.

INDUSTRY SALES FOR 1981

AS YOU ARE AWARE, THE U.S. AUTOMOBILE MARKET HAS BEEN IN A SEVERE SLUMP SINCE THE SPRING OF 1979. TOTAL NEW CAR SALES FOR 1981 FELL TO 8.5 MILLION UNITS*, DOWN 5 PERCENT FROM 1980 (ANOTHER DISMAL YEAR) AND 25 PERCENT FROM 1978, THE INDUSTRY'S LAST PEAK YEAR. SALES DURING 1981 OF DOMESTIC-MADE NEW CARS FELL TO ABOUT 6.2 MILLION UNITS*, OFF 6 PERCENT FROM 1980 AND 33 PERCENT FROM 1978. WITH SALES OF IMPORTS AT 2.3 MILLION UNITS*, THE IMPORT PENETRATION RATIO FOR THE ENTIRE YEAR WAS 27.3 PERCENT, SLIGHTLY ABOVE THE 26.7 PERCENT EXPERIENCED IN 1980. FOURTH QUARTER ACTIVITY WAS ESPECIALLY DISAPPOINTING, WITH TOTAL SALES AT AN ANNUAL RATE OF 7.4 MILLION UNITS (SEASONALLY ADJUSTED) AND DOMESTIC SALES AT A LEVEL OF 5.2 MILLION UNITS (SAAR).

THE LIGHT TRUCK PICTURE WAS EVEN LESS ENCOURAGING. TOTAL LIGHT TRUCK SALES ENDED 1981 AT AN ESTIMATED 2.0 to 2.1 MILLION UNITS, ABOUT 7 PERCENT LESS THAN IN 1980 AND 45 PERCENT UNDER THE 1978 PEAK. SALES OF DOMESTIC-MADE LIGHT TRUCKS FOR 1981 REACHED AN ESTIMATED 1.6 MILLION DOWN 8 PERCENT FROM 1980 AND 53 PERCENT FROM THE 1978 PEAK.

*PRELIMINARY 1981 YEAR-END FIGURES.

THE SLOWER GROWTH RATE FOR AUTOMOTIVE DEMAND RESULTS FROM (1) DEMOGRAPHIC FACTORS (A DECLINE IN THE GROWTH RATE OF THE DRIVING AGE POPULATION), (2) EROSION OF CONSUMERS' DISCRETIONARY PURCHASING POWER BY INFLATION (WHILE WE INTEND TO REVERSE THIS TREND, FULL RECOVERY WILL TAKE TIME.) AND (3) SIZABLE INCREASES IN THE RELATIVE PRICE OF OWNING AND OPERATING A CAR. (SINCE THE BEGINNING OF 1978 THE COSTS OF OPERATING A CAR HAVE INCREASED ALMOST 50 PERCENT MORE THAN NEW CAR PRICES.)

TO THESE FACTORS MUST BE ADDED THE WIDESPREAD PERCEPTION AMONG CONSUMERS--WHETHER RIGHT OR NOT IS ANOTHER ISSUE--THAT THE QUALITY OF FOREIGN IMPORTS EXCEEDS THAT OF DOMESTIC-MADE CARS--A CONSUMER ATTITUDE THAT WE CANNOT EXPECT TO SEE REVERSED OVERNIGHT. AND FINALLY, THERE IS THE FACTOR OF THE RELATIVE COST ADVANTAGE OF JAPANESE AUTO MANUFACTURERS, WHICH MOST RECENT STUDIES PUT AT BETWEEN $1,000 AND $1,500 PER UNIT--INDEED SOME SUGGEST AN EVEN HIGHER FIGURE. ON THIS LAST POINT, IT IS PERFECTLY CLEAR THAT U.S. PRODUCERS KNOW THE FACTS AND THAT THEIR ENORMOUS INVESTMENT OUTLAYS OVER THE LAST SEVERAL YEARS HAVE BEEN DIRECTED IN PART AT NARROWING THE COST GAP. BUT

SEVERE CASH FLOW PRESSURES NOW APPEAR TO BE CAUSING INVESTMENT STRETCHOUTS AND POSTPONEMENTS, TO THE DETRIMENT OF LONGER TERM COMPETITIVE PROSPECTS. MOREOVER, I DO NOT SEE ANY REASON TO BELIEVE THAT THE JAPANESE WILL STAND STILL, WHICH IMPLIES A LONGSTANDING COST CHALLENGE FOR COMPANIES.

ACCOMPLISHMENTS UNDER THE PRESIDENT'S AUTO INDUSTRY PROGRAM

I WANT TO TURN NOW TO THE PRESIDENT'S PROGRAM FOR THE DOMESTIC AUTO INDUSTRY, ANNOUNCED APRIL 6 LAST YEAR. BEFORE SUMMARIZING ITS ACCOMPLISHMENTS, I WOULD LIKE TO REMIND THE COMMITTEE OF TWO THEMES THE PRESIDENT EMPHASIZED WHEN HE INTRODUCED THE PROGRAM. THE FIRST WAS THAT REVITALIZATION OF THE AUTO INDUSTRY DEPENDS UPON REVITALIZATION OF THE ENTIRE ECONOMY. THE SECOND WAS THAT CENTRAL RESPONSIBILITY FOR INDUSTRY RECOVERY LIES WITH MANAGEMENT AND LABOR. I CITE THESE POINTS BECAUSE IT IS IMPORTANT TO RECOGNIZE THAT THE PRESIDENT'S PROGRAM NEVER INTENDED THAT GOVERNMENT SHOULD "SOLVE" THE PROBLEMS OF THE AUTO INDUSTRY. WHILE THE ADMINISTRATION IS FIRMLY COMMITTED TO BUILDING A STRONG ECONOMY AND DISMANTLING UNJUSTIFIED INTERFERENCE IN INDUSTRY AFFAIRS, IT IS JUST AS FIRMLY COMMITTED TO INSISTING THAT BUSINESS SHOULD SOLVE THE PROBLEMS OF BUSINESS.

THE FIRST STEP IN THE PRESIDENT'S PROGRAM CALLED FOR THE ENACTMENT OF HIS ECONOMIC RECOVERY PROGRAM. THE MAIN ELEMENTS HAVE, OF COURSE, NOW BEEN PUT IN PLACE. WE ARE TEMPORARILY GOING THROUGH THE INEVITABLE PAIN OF WRINGING INFLATION OUT OF THE ECONOMY. HOWEVER, ON THE BASIS OF RECENT ECONOMIC INDICATORS, IT APPEARS THAT THE GROUNDWORK IS BEING LAID FOR A STRONG PICKUP IN ECONOMIC ACTIVITY IN THE SECOND HALF OF 1982. AS THE RECOVERY DEVELOPS, THERE IS NO QUESTION THAT THE NEW BUSINESS TAX PROVISIONS IN THE PROGRAM WILL HELP GIVE THE AUTO COMPANIES A MUCH NEEDED INJECTION OF HIGHER CASH FLOW. FURTHER, AS THE ARRANGEMENTS RECENTLY ANNOUNCED BY FORD AND CHRYSLER SHOW, THE LEASING PROVISIONS IN THE NEW TAX LAW PROVIDE THE AUTO MANUFACTURERS WITH AN ADDITIONAL MEANS TO IMPROVE THEIR CASH FLOW.

NEXT, THE PRESIDENT'S PROGRAM CALLED FOR THE REVIEW, RESCISSION, OR REPROPOSAL OF 34 AUTO-RELATED REGULATIONS. TO DATE, ACTION HAS BEEN TAKEN ON 22 OF THESE PROPOSALS, WITH AN ESTIMATED SAVINGS IN INDUSTRY COSTS OF $636 MILLION OVER FIVE YEARS. ANOTHER 8 WILL BE ACTED UPON BY MARCH THIS YEAR; THEY WILL PROVIDE AN ADDITIONAL COST SAVINGS OF $594 MILLION. THE REMOVAL OF THE 4 REMAINING REGULATIONS WOULD PROVIDE AN ESTIMATED COST SAVINGS OF $188 MILLION OVER THE NEXT FIVE YEARS.

(AS AN ASIDE, THE INDUSTRY WOULD BENEFIT FROM THE ADOPTION OF LEGISLATION, SUCH AS THAT NOW BEING CONSIDERED BY CONGRESS, TO RELAX EMISSION STANDARDS.)

IN THE ANTITRUST AREA THE PRESIDENT'S PROGRAM HAS ALSO MADE SUBSTANTIAL PROGRESS. ON JUNE 29 THE DEPARTMENT OF JUSTICE ADVISED THE COURT THAT THE GOVERNMENT WISHED TO WITHDRAW ITS MOTION TO EXTEND PROHIBITIONS AGAINST CERTAIN COOPERATIVE VENTURES AMONG AUTO COMPANIES AND AGAINST JOINT PRESENTATIONS BY AUTO COMPANIES BEFORE REGULATORY AGENCIES. FURTHER, JUSTICE HAS DECIDED TO SEEK COURT MODIFICATION OF WHAT IS CALLED THE SMOG DECREE, TO PERMIT THE AUTO COMPANIES TO ENGAGE IN JOINT RESEARCH VENTURES THAT WOULD OTHERWISE BE LAWFUL UNDER THE ANTITRUST LAWS.

AS REGARDS THE TRADE ASPECTS OF THE PROGRAM, THE DEPARTMENT OF COMMERCE HAS PUT INTO OPERATION A SYSTEM TO MONITOR CLOSELY U.S. IMPORTS OF JAPANESE-MADE CARS. BEYOND THAT, THE DEPARTMENT HAS PURSUED AN ACTIVE PROGRAM TO INCREASE SALES OF U.S-MADE AUTO PARTS TO JAPAN AND IN THE U.S. AFTERMARKET (REPLACEMENT PARTS) FOR JAPANESE CARS.

IN THE AREA OF WORKER ASSISTANCE, ANOTHER COMPONENT OF THE PRESIDENT'S PACKAGE, AMENDMENTS TO THE TRADE ADJUSTMENT ASSISTANCE

PROGRAM REFLECT THE HARD REALITIES OF AN AUSTERE BUDGET BUT RECOGNIZE THAT RETRAINING OF DISPLACED WORKERS IS ONE OF THE AIMS OF ANY ADJUSTMENT ASSISTANCE PROGRAM. I'LL LEAVE THE REST OF THE DISCUSSION ON ADJUSTMENT ASSISTANCE TO ACTING DEPUTY ASSISTANT SECRETARY ROLAND DROITSCH FROM THE DEPARTMENT OF LABOR.

FINALLY, IN ONE SPECIFIC BUT MINOR AREA, BUDGET CONSIDERATIONS CLEARLY TOOK PRECEDENCE OVER WHAT HAD ORIGINALLY BEEN PROPOSED IN THE PRESIDENT'S PROGRAM. A BUDGET REQUEST TO CONGRESS FOR $100 MILLION TO ACCELERATE FEDERAL PURCHASES OF CARS AND TRUCKS WAS DENIED.

AUTO COORDINATION

THE DEPARTMENT OF COMMERCE HAS THE RESPONSIBILITY FOR MONITORING, COORDINATING, AND RAMRODDING IF NEED BE, THE IMPLEMENTATION OF THE PRESIDENT'S AUTO INDUSTRY PROGRAM. I AM PLEASED TO BE ABLE TO REPORT

THAT THE DEPARTMENT HAS NOT HAD TO FUNCTION AS A RAMROD WHEN IT COMES TO THE EXECUTION OF THE PROGRAM. THE PROGRESS ALREADY MADE DEMONSTRATES THAT THE AGENCIES ASSIGNED TASKS HAVE PRESSED FORWARD VIGOROUSLY. IN COMMERCE WE HAVE TAKEN MANY OF THE STEPS REQUIRED TO CONTINUE TO COORDINATE GOVERNMENT ACTIVITIES ASSOCIATED WITH THE AUTO INDUSTRY. TRANSFER OF RESPONSIBILITIES FROM THE DEPARTMENT OF TRANSPORTATION TO COMMERCE HAS OCCURRED. COMMERCE IS NOW WORKING ON ALMOST A DAY TO DAY BASIS WITH THE TRANSPORTATION SYSTEMS CENTER IN CAMBRIDGE, A RICH SOURCE OF INFORMATION AND ANALYSIS ON THE AUTO INDUSTRY. WITHIN COMMERCE, IN OUR BUREAU OF INDUSTRIAL ECONOMICS, WE ARE EXPANDING OUR AUTO STAFF. WE ARE PREPARING STATUS REPORTS ON INDUSTRY DEVELOPMENTS, LIKE THE ONE SUBMITTED TO THE SENATE FINANCE COMMITTEE IN DECEMBER, AND WE INTEND TO MAKE THIS A REGULAR PRODUCT. WE HAVE ESTABLISHED AN INTERAGENCY NETWORK TO MONITOR PROGRESS ON THE PRESIDENT'S PROGRAM.

OUTLOOK FOR EMPLOYMENT

SINCE LATE 1979, UNEMPLOYMENT HAS BEEN WIDESPREAD IN THE AUTOMOTIVE INDUSTRY. UNEMPLOYMENT PEAKED IN AUGUST 1980 WITH 250,000

PRODUCTION WORKERS -- 32 PERCENT OF THE HOURLY WORKFORCE -- AND 50,000 SALARIED WORKERS ON INDEFINITE LAYOFF FROM THE CAR MANUFACTURERS. AT THE SAME TIME, UNEMPLOYMENT AMONG DOMESTIC PARTS AND COMPONENT MANUFACTURERS AND OTHER AUTOMOTIVE SUPPLIERS REACHED AN ESTIMATED 650,000.

DURING THE FIRST SEVEN MONTHS OF 1981, THE NUMBER OF PRODUCTION WORKERS ON INDEFINITE LAYOFF DECLINED TO A LEVEL OF 152,000. SINCE JULY, THE NUMBER ON INDEFINITE LAYOFF HAS INCREASED, REACHING 214,500 IN THE FIRST WEEK OF JANUARY. STILL, TOTAL U.S. EMPLOYMENT (INCLUDING SALARIED PERSONNEL) OF THE FIVE CAR COMPANIES IS CURRENTLY ONLY 740,000, COMPARED WITH AN ALL-TIME PEAK OF 1,033,000 IN THE FOURTH QUARTER OF 1978.

THE DOMESTIC AUTO INDUSTRY IS NOW UNDERGOING THE MOST FAR-REACHING ADJUSTMENT IN ITS HISTORY. MANY OF THE CHANGES IN THIS PROCESS WILL MEAN FEWER JOB OPPORTUNITIES IN DOMESTIC OPERATIONS. THE CHANGES THAT WILL HAVE THE MOST SIGNIFICANT AFFECT ON EMPLOYMENT ARE AS FOLLOWS:

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1. A DECLINE IN THE GROWTH RATE IN DEMAND FOR CARS

2. THE INCREASED USE OF FOREIGN-BUILT COMPONENTS SUCH AS ENGINES AND TRANSMISSIONS IN DOMESTICALLY ASSEMBLED MODELS.

3. THE CONTINUED SHIFT TO SMALLER CARS WHICH ENTAIL LESS LABOR IN BOTH THE COMPONENTS AND THE FINAL ASSEMBLY.

4. THE INCREASED USE OF AUTOMATION TO ACHIEVE THE LOWER UNIT LABOR COSTS AND IMPROVED QUALITY THAT ARE NECESSARY TO BE COMPETITIVE INTERNATIONALLY.

DEPENDING UPON THE PACE OF THESE CHANGES, EMPLOYMENT IN THE BASIC AUTOMOTIVE INDUSTRY DURING THE MID-1980s COULD BE SEVERAL HUNDRED THOUSAND PERSONS BELOW THE 1978 EMPLOYMENT PEAK. A PARALLEL LOSS OF JOBS COULD BE EXPERIENCED IN THE SUPPLIER INDUSTRIES AS A RESULT OF SIMILAR CHANGES. NOBODY CAN BE HAPPY WITH SUCH A PROSPECT. STILL, RAPID AND SUCCESSFUL ACCOMPLISHMENT OF THESE CHANGES IS IMPERATIVE IF WE ARE TO HAVE A DOMESTIC INDUSTRY THAT IS COMPETITIVE INTERNATIONALLY; FAILURE TO CHANGE WILL LEAD TO EVEN GREATER JOB LOSSES.

* * *

I AM AWARE THAT THERE ARE INDIVIDUALS WHO WOULD LIKE TO SEE THE GOVERNMENT DOING MORE FOR THE AUTOMOBILE INDUSTRY. BUT IN RESPONSE

TO THOSE URGING MUCH DEEPER GOVERNMENT INVOLVEMENT, I WOULD POINT OUT THAT THE RECORD OF THE PAST GIVES LITTLE REASON TO BELIEVE THAT ANY AMOUNT OF GOVERNMENT ASSISTANCE DIRECTED AT AN INDUSTRY CAN MAKE THAT INDUSTRY TRULY HEALTHY AND COMPETITIVE OR GUARANTEE THAT ITS WORKERS HAVE SECURE JOBS. OUR TASKS ARE TO REDUCE INFLATION, TO FOSTER THE GROWTH THAT GENERATES NEW JOB OPPORTUNITIES, AND TO ELIMINATE UNNECESSARY IMPEDIMENTS TO INDUSTRIAL PERFORMANCE. WE ARE TACKLING THOSE TASKS. THE REST BELONGS TO MANAGEMENT AND LABOR WITHIN THE AUTO INDUSTRY ITSELF.

Senator QUAYLE. Thank you very much.

Let me pick up there at the end "the rest belongs to management and labor within the auto industry itself."

You talk back on page 2 or 3 that the central responsibility for industry recovery lies with management and labor. Is there a Federal role to create a better environment for labor and management?

Mr. DEDERICK. I think that is precisely what this administration's program is designed to achieve. The broad economic recovery program of the President is very much designed to create a better environment for all industry, of which the automobile component is, of course, a major part. That is a primary device as I see it. On top of which there are the other aspects of the Federal program.

So, yes, there is a Federal role, and as far as I can see, we are pursuing that role.

Senator QUAYLE. We are pursuing it very actively and hopefully very successfully on the tax policy, regulatory policy, both of those aspects that you mentioned, which hopefully will stimulate growth in the generation of jobs in the private sector which we all support. But, beyond that, I am talking about the more intangible labor management relations.

A number of people yesterday referred to that as a primary problem, and I really believe that it is. And we see these negotiations now going on in Detroit with the UAW and the auto industry, and I just wonder, beyond rhetoric, beyond statements from you or I that we need better relations, is there a Federal role in responsibility in getting a more comfortable conciliatory atmosphere in the labor management area?

Mr. DEDERICK. I feel myself that this is the responsibility of labor and management frankly, sir. I applaud what I see as evidence that management and labor are taking a cooperative attitude. I admire what I see, but I feel that is very much left up to them. That is their responsibility. That is not our responsibility.

Senator QUAYLE. If we do assume full recovery, and you mentioned also in your statement that employment, I believe on page 2, that it is unlikely that employment will return to previous levels even if sales of domestic autos fully recover.

Do we have any idea on how many employees they are talking about nationwide that have really no possibility of returning to the auto industry? Do we have any data or statistics that you can share with us on that?

Mr. DEDERICK. If you will accept some generalities.

Senator QUAYLE. We are accustomed to accepting generalities and even generalities of generalities.

Mr. DEDERICK. The first thing I would point out is you must remember that we are dealing with a constantly changing labor force. So when we talk about this, we are not always talking about the same people. And when we say employment is going to reach a certain level at a certain time, we are not talking about the same individuals who were there at the beginning. Let me just make that point.

Let me also make another point. We do tend to make our comparisons with 1978. 1978 was an extremely favorable year for the automobile industry. It was a year that, from the point of view of the business cycle, was unusually favorable and, therefore, somewhat above the trend.

Now, having said that, and let me say one third thing, we obviously do expect a recovery of automobile employment from the depths to which it has now sunk because we are, of course, in the midst of a recession. But with all that background, I would say that going to the mid-eighties on a trend basis and comparing it with 1978, which, remember, is the cyclical peak, we could well expect that perhaps employment among the basic producers would be about 200,000 less than in 1978, and employment in the supplier industries somewhere around 300,000 to 350,000 less.

Senator QUAYLE. OK. Thank you.

Do we have any good statistics which we can identify the jobs, other jobs which we should begin to train our workers for?

Is there some particular industry that you can see in the horizon that we ought to be communicating to our auto workers saying here it is; the economists yesterday, just generally, high technology identified that, do we have any statistics to show what growth industry we have in the future? And we might be talking to our auto workers about?

Mr. DEDERICK. I do not want to put words in the next speaker's mouth, but my impression is that the Labor Department has made projections of employment trends in various industries in the eighties, so I think he would be in a better position to explain, to answer that than I. I myself am not sitting here with such projections, but as far as the specific industries, that is something the Labor Department has tended to concentrate on more than the Commerce Department.

Senator QUAYLE. Is high technology industry, as a general industry, is that one of the growth industries that we really ought to be talking about? Yesterday the Downriver people identified the tool and die industry where they are working to place some of these auto workers. Of course, it takes a lot of training to go from the

assembly line to tool and die, but they are finding that even in Michigan.

I wonder if there is something from a business point of view that you could share with us, a trend, not necessarily the actual identification? I realize the jurisdictional situation, but some trends you can share with us.

Mr. DEDERICK. I think you have answered my question for me. Without question, we are talking about the high technology industries, the energy related industries which, as you pointed out, do tend to be concentrated elsewhere in the country, in the South and Southwest, Far West. These are the areas which one would expect in an advancing technological society are those which are going to be offering the best job opportunities. This is an economy that we must remember is constantly in flux. It has been as long as history, the history of this economy. What is happening to the auto industry is not unique. We are having what is called creative destruction where old industries begin to fade and new ones rise. They occur in different parts of the country. The ones we are talking about are historically, because of the advance of technology, those which are technologically oriented. So that is where we are moving.

Senator QUAYLE. On the question of these statistics, such as where shall we begin our training, how can we tell which skills are most transferrable and what skills are in the greatest demand, what jobs are begging for workers; should this be the responsibility of the Federal Government, either labor, Federal Government, State Government, or is it more of a local concern? Is there any sorting out on territory that we can do in this statistical gathering situation?

Mr. DEDERICK. Again I do not want to appear evasive but the area of training is not something which is really my immediate responsibility. It is again a responsibility of the Labor Department as I see it. I would warn that this is an area that is fraught with difficulties. We have gone through life training people for what appear to be job areas that are going to be in demand, and we suddenly discover when we train them, the situation has changed. I myself believe that the greatest push in this direction has to come from employers. Employers are the ones who hire them. Employers therefor know who are needed and they know what skills are needed.

So my own feeling is that we must rely upon them as we have historically done. The profit motive will lead them to moving in the directions and trying to get the types of skills that are most appropriate.

I view the role of Government, if you will, as strictly marginal.

Senator QUAYLE. I notice in your testimony that you said a request had been made to accelerate the purchase of motor vehicles, I believe it is $100 million you referred to, and because of budget constraints, that item was denied.

There is one agency that has not suffered any budget reduction, and that is the Defense Department, the Pentagon.

I am wondering if we could recommend to accelerate the military acquisition of motor vehicles, if this would be helpful to the auto industry?

Mr. DEDERICK. Well, my answer is yes, but probably to a very limited degree. The Department of Defense accounted for only about 1 percent of the market for this industry in 1979. Now, this means that if we were to double it, we still would only be up to 2 percent.

I believe the current defense spending schedules call for that, but we must recognize that going from 1 to 2, that is a 100-percent increase for the Defense Department, is still a very small increase when it comes to the industry as a whole. So I do not see that as more than merely a very marginal contribution.

Senator QUAYLE. In your opinion, how helpful have procurement setasides been for small businesses in areas of high unemployment? Would this be a useful device for alleviating some of the problems in the distress of the auto industry?

Mr. DEDERICK. Well, I do not—I could not honestly say that I am an authority in that area. I would say that it is something that I would want to review before making any answer, before committing myself. I would be happy to send you an answer if you would like that.

Senator QUAYLE. I would be interested.

[The following was received for the record:]

RESPONSE BY MR. DEDERICK ON QUESTION OF PROCUREMENT SET-ASIDES ASKED BY SENATOR QUAYLE

Procurement set asides, like Defense spending, can offer only a very marginal contribution to alleviating the problems of the auto industry. Non-defense procurement of the Federal government consumes such a small portion of the output of motor vehicle and parts manufacturers that procurement set asides would have virtually no effect in alleviating the currently distressed conditions of these industries.

Senator QUAYLE. Let me just ask one final question. Not just in this hearing, our Lieutenant Governor of Indiana talked about it yesterday, but a number of hearings that we have had throughout the course of discussing training, matter of fact, Senator Stafford and I had a joint hearing on combining—potential combining of education and training.

What would be your reaction to combining vocational education and the training programs and putting them in the Department of Commerce?

Mr. DEDERICK. My reaction would be that I would like to consider that very, very seriously before reaching any opinion on it.

Senator QUAYLE. OK. In your serious deliberations, we thank you very much. I appreciate your testimony.

Next is the Acting Deputy Assistant Secretary for Policy, Evaluation, and Research, U.S. Department of Labor, Roland G. Droitsch.

## STATEMENT OF ROLAND G. DROITSCH, ACTING DEPUTY ASSISTANT SECRETARY FOR POLICY, EVALUATION, AND RESEARCH, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY RAYMOND UHALDE, ECONOMIST, OFFICE OF THE ASSISTANT SECRETARY OF POLICY, EVALUATION, AND RESEARCH, AND MARVIN FOOKS, DIRECTOR OF TRADE ADJUSTMENT ASSISTANCE

Mr. DROITSCH. Mr. Chairman, accompanying me are Marvin Fooks, Director of Trade Adjustment Assistance, and Ray Uhalde, on my staff.

Mr. Chairman, I appreciate the opportunity to appear before you today to discuss the problem of unemployment in the auto industry. In my prepared testimony I will emphasize the evidence we have concerning the earnings losses resulting from displacement and the effectiveness of various adjustment mechanisms in reducing these earnings losses. My remarks are intended to complement the overview of current conditions in the automobile industry provided by Assistant Secretary Robert Dederick of the Commerce Department.

What is the evidence on the economic costs of displacement? Studies of earnings losses following displacement have used widely differing methodologies, but important consistencies in findings lend credence to the results. Losses of prime age males vary among industries and are greater in high paying and unionized industries. Estimates of average annual percentage losses in real terms range from over 20 percent following displacement from the automobile industry to smaller losses and even gains in some industries. Losses generally diminish over time with earnings approaching those of the comparison group after 3 to 5 years.

Losses as might be expected are higher where job opportunities are limited, in smaller labor markets, and when unemployment rates are high. Statistically controlling for industry and other factors, earnings losses are positively related to age. Females, minorities and older workers withdraw from the labor force following displacement far more frequently than do prime age males. The formal provisions of advance notice to workers of impending layoff seems, by itself, to have little effect on either the duration of unemployment or on subsequent earnings.

Of all available studies reported in the literature, two by the Public Research Institute provide the best industry specific estimates of earnings losses. One study by Jacobson in 1976 examined earnings losses of workers who lost jobs—not necessarily due to plant closings—in 11 diverse manufacturing industries. The "11 Industry Study" was limited to prime age males—males 25 to 53 who separated from their industry of employment in 1962-66 and did not withdraw from the labor force. Social security records were used to follow earnings of job losers as well as a comparison group of workers who had not been displaced. Earnings losses were examined over a 6-year period. The key findings and some characteristics of the samples are displayed in table 1 of my testimony.

A second study examined losses of workers displaced in plant closings that occurred in eight different manufacturing industries during 1969-71. Again, social security records were used to follow the earnings of the affected workers.

The plant closing study sample was not limited in any way. For comparison with the "11 Industry Study," however, the results presented in table 2 of my testimony were restricted to prime age male workers—males age 23 to 53—who did not withdraw from the labor force.

The results are quite similar in both studies. Automobile workers lose the most and have particularly large initial losses. Earnings losses for autoworkers are 24 to 43 percent during the first 2 years after separation and about 15 percent during the next 3 years.

The Labor Department will soon release yet another study on plant closing that, upon preliminary review, will be generally consistent with these findings. I, of course, will make all these studies available to the subcommittee.

The question that these studies have addressed is what are the earnings losses of displaced workers relative to workers who are not laid off? Another relevant question to ask is how do permanently displaced workers fare compared to the general population of unemployed persons? On this question, the research is neither as exhaustive nor as complete, but the available evidence is consistent with the findings of the earlier studies.

The 1979 Mathematica study of the trade adjustment assistance (TAA) program found that TAA recipients who were not recalled to their former employers experienced longer initial spells of unemployment than did similar recipients of unemployment insurance (UI). Regression results also suggested that TAA recipients who changed employers had earnings on their new jobs that were 18 percent lower than were those of similar UI recipients. There was no significant correlation between an individual's wage-replacement ratio while on UI or TAA and the wage rates they ultimately received.

Finally, a recent study of Pennsylvania UI records found that displaced workers experienced an average of 4.3 additional weeks of compensated unemployment compared to general UI recipients.

It is important to note, however, that earnings losses due to displacement are offset substantially by taxes, which would otherwise have been payable and by transfers such as unemployment compensation, trade adjustment assistance, and private supplementary unemployment benefits [SUB]. The amount of offset varies according to household characteristics, industry, and program eligibility. Before recent reform in the TAA, in some cases where SUB and TAA were both received, net receipts following displacement were higher than before. For workers receiving TAA before the recent reform, it is estimated that roughly one-half of their losses over the first 3 years following displacement were offset.

Because of these substantial economic costs and because of the obvious emotional strains resulting from job displacement among experienced workers, both the private sector and the Government have explored various ways of assisting displaced workers.

The primary adjustment mechanism to date has been compensation—both public and private. Special unemployment benefits, severance pay, unemployment insurance, and TAA payments are the principal forms of compensation available to unemployed autoworkers. It is amply documented, however, that compensation contingent upon unemployment has important effects on labor market behavior, beyond providing a neutral offset to losses in earnings. Higher levels of income support lead to increased incidence and longer duration of unemployment spells. This relationship seems to be especially strong for unemployment income support, such as TAA, that is not tied to an experience-rated tax structure for employers. Also, longer periods of eligibility over which benefits can be collected lead to longer duration of unemployment spells.

Given this evidence, this administration proposed and the Congress enacted a major reform of our primary worker adjustment assistance program—TAA. TAA has been recast from an overly generous income maintenance program for temporarily idled workers into a program of meaningful reemployment assistance for those who have been permanently displaced because of increased imports. As you know, the focus of the new effort will be on job search, relocation, and training. The Department is also exploring other ways of assisting displaced experienced workers, but specific policy initiatives have not yet been developed. I will emphasize, however, that our knowledge of efficiently assisting displaced experienced workers is still limited and considerable care is required in interpreting the available evidence.

Another issue that deserves attention is the effectiveness of Government sponsored adjustment assistance. There is a vast body of research that shows that people do increase their earnings by independently investing in education training and relocation. This must be distinguished, however, from the provision of such services through Government programs.

To determine if Government sponsored retraining for displaced workers can be cost effective, the Department has funded the Downriver economic readjustment program in Michigan. The testimony of the Downriver staff yesterday speaks for itself. We are encouraged by their initial success and their dedication. Consequently, we are sponsoring a careful evaluation of this program by an independent contractor. By early 1983 we hope to know whether participants experience better employment results than similar groups of ineligible unemployed workers and whether the gains more than outweigh the costs of the services.

The Government need not be the only sponsor of adjustment assistance activities. Indeed, there are several recent examples of private initiatives to aid displaced workers.

Certainly, the best way for dealing with permanent job loss is to prevent it in the first place, if this can be accomplished in a reasonable manner. I am not talking about bailout programs, but sound management decisions by corporations who view their work force as valuable experienced resources.

The best example of this comes from International Silver in Meriden, Conn. Rather than close a plant with 300 metalworkers engaged in the production of stainless steel flatware, the company developed two new product areas and embarked on an extensive retraining program for several hundred workers. The plant now produces stainless steel tubing for aircraft engines and refurbishes machine tools. Significantly, many of the retrained workers were in their forties and fifties—belying the adage that "you can't teach an old dog new tricks."

Another example of private retraining that has come to my attention involves the Monsanto Co. They have moved 20 engineers and their families annually to St. Louis for a year of retraining at Washington University. Aged 28 to 58, the employees are typically plant closing victims or engineers who want to become specialists. The Wall Street Journal quotes a Monsanto official as saying that the program is a wonderful alternative to recruiting scarce experienced engineers.

Additional examples of smaller scale retraining efforts—mostly involving cooperative efforts among unions, businesses and local CETA organizations—are available from the PSID clearinghouse of the National Alliance of Business.

Many companies have also adopted the practice of conducting outplacement workshops or job club programs for soon to be released blue collar workers. These efforts have been run by in-house staff, private contractors, and State job service personnel. Examples of companies that have used this technique include Dana Corp., Goodyear Tire & Rubber, Crucible Steel. It should be noted that the Labor Department has not evaluated any of these private outplacement efforts and, therefore, cannot speak to the cost-effectiveness of the net impact of outplacement services.

That concludes my testimony, Mr. Chairman. I will be glad to answer any questions you wish to present.

[The prepared statement of Mr. Droitsch follows:]

STATEMENT OF ROLAND DROITSCH
ACTING DEPUTY ASSISTANT SECRETARY OF LABOR
FOR POLICY, EVALUATION, AND RESEARCH
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
OF THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

January 12, 1982

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to discuss the problem of unemployment in the auto industry. In my prepared testimony I will emphasize the evidence we have concerning the earnings losses resulting from displacement and the effectiveness of various adjustment mechanisms in reducing these earnings losses. My remarks are intended to complement the overview of current conditions in the automobile industry provided by Assistant Secretary Robert Dederick of the Commerce Department.

The Evidence on Earnings Losses

What then is the evidence on the economic costs of displacement? Studies of earnings losses following displacement have used widely differing methodologies, but important consistencies in findings lend credence to the results. Losses of prime-age males vary among

industries and are greater in high-paying and unionized industries. Estimates of average annual percentage losses in real terms range from over 20% following displacement from the automobile industry to smaller losses and even gains in some industries. Losses generally diminish over time with earnings approaching those of the comparison group after three to five years.

Losses as might be expected are higher where job opportunities are limited, in smaller labor markets, and when unemployment rates are high. Statistically controlling for industry and other factors, earnings losses are positively related to age. Females, minorities and older workers withdraw from the labor force following displacement far more frequently than do prime-age males. The formal provision of advance notice to workers of impending layoff seems, by itself, to have little effect on either the duration of unemployment or on subsequent earnings.

Of all available studies reported in the literature, two by the Public Research Institute provide the best industry-specific estimates of earnings losses. One study by Jacobson in 1976 examined earnings losses of workers who lost jobs (not necessarily due to plant

closings) in eleven diverse manufacturing industries. The "11 Industry Study" was limited to prime-age males (males 25-53 who separated from their industry of employment in 1962-66 and did not withdraw from the labor force). Social Security records were used to follow earnings of job losers as well as a comparison group of workers who had not been displaced. Earnings losses were examined over a six-year period. The key findings and some characteristics of the samples are displayed in Table 1 of my testimony.

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Adjustment Mechanisms

Because of these substantial economic costs and because of the obvious emotional strains resulting from job displacement among experienced workers, both the private sector and the government have explored various ways of assisting displaced workers.

The primary adjustment mechanism to date has been compensation -- both public and private. Special unemployment benefits, severance pay, unemployment insurance, and TAA payments are the principal forms of compensation available to unemployed auto workers. It is amply documented, however, that compensation contingent upon unemployment has important effects on labor market behavior, beyond providing a neutral offset to losses in earnings. Higher levels of income support lead to increased incidence and longer duration of unemployment spells. This relationship seems to be especially strong for unemployment income support, such as TAA, that is not tied to an experience-rated tax structure for employers. Also, longer periods of eligibility over which benefits can be collected lead to longer duration of unemployment spells.

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Another issue that deserves attention is the effectiveness of government sponsored adjustment assistance. There is a vast body of research that shows that people do increase their earnings by independently investing in education, training, and relocation. This must be distinguished, however, from the provision of such services through government programs.

To determine if government sponsored retraining for displaced workers can be cost effective, the Department has funded the Downriver Economic Readjustment program

in Michigan. The testimony of the Downriver staff yesterday speaks for itself. We are encouraged by their initial success and their dedication. Consequently, we are sponsoring a careful evaluation of this program by an independent contractor. By early 1983 we hope to know whether participants experience better employment results than similar groups of ineligible unemployed workers and whether the gains more than outweigh the costs of the services.

Private Sector Initiatives

The government need not be the only sponsor of adjustment assistance activities. Indeed, there are several recent examples of private initiatives to aid displaced workers.

Certainly, the best way for dealing with permanent job loss is to prevent it in the first place, if this can be accomplished in a reasonable manner. I am not talking about "bail-out" programs, but sound management decisions by corporations who view their workforce as valuable, experienced resources.

The best example of this comes from International Silver in Meriden, Connecticut. Rather than close a plant with 300 metal workers engaged in the production of stainless steel flatware, the company developed

two new product areas and embarked on an extensive retraining program for several hundred workers. The plant now produces stainless steel tubing for aircraft engines and refurbishes machine tools. Significantly, many of the retrained workers were in their forties and fifties--belying the adage that "you can't teach an old dog new tricks."

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Many companies have also adopted the practice of conducting outplacement workshops or job club programs for soon to be released blue-collar workers. These

efforts have been run by in-house staff, private contractors, and state Job Service personnel. Examples of companies that have used this technique include Dana Corporation, Goodyear Tire and Rubber, Crucible Steel. It should be noted that the Labor Department has not evaluated any of these private outplacement efforts and therefore cannot speak to the cost effectiveness or the net impact of outplacement services.

Mr. Chairman, I will be glad to answer any questions you or the members of the Subcommittee may have.

TABLE 1

EARNING LOSSES OF DISPLACED WORKERS

| | Average predisplacement earnings of sample (1964 dollars) | Number of displaced workers in sample | Average Annual Percentage Loss first 2 years | Average Annual Percentage Loss subsequent 4 years |
|---|---|---|---|---|
| Automobiles+ | 5688 | 68 | 43.4* | 15.8* |
| Steel | 5712 | 103 | 46.6* | 12.6* |
| Meat Packing | 5320 | 111 | 23.9* | 18.1* |
| Aerospace | 7132 | 394 | 23.6* | 14.8* |
| Petroleum Refining+ | 7677 | 77 | 12.4* | 12.5* |
| Women's Clothes | 4670 | 55 | 13.3 | 2.1 |
| Electronic Components+ | 6338 | 49 | 8.3 | 4.1 |
| Shoes+ | 3824 | 56 | 11.3 | 1.5 |
| Toys | 4670 | 37 | 16.1 | -2.7 |
| TV Receivers | 5874 | 28 | 0.7 | -7.2 |
| Cotton Weaving+ | 3705 | 46 | 7.4 | -11.4 |

*Denotes loss estimate statistically significant at the 5% level.
+Denotes industry included in plant closing study of Table 2.
Negatives indicate gains.

(Information regarding Table 1 taken from Jacobson and Thomason, "Earings Loss Due To Displacement," Public Research Institute, August 1979.)

TABLE 2

EARNINGS LOSSES OF PRIME-AGE MALE WORKERS
DISPLACED DUE TO PLANT CLOSINGS

| | Average predisplacement earnings of sample (1970 dollars) | Number of displaced workers in sample | Average Annual Percentage Loss | |
|---|---|---|---|---|
| | | | first 2 years | subsequent 3 years |
| Automobiles+ | 7881 | 685 | 24.1 | 14.6 |
| Industrial Chemicals+ | 7823 | 531 | 15.9 | 16.4 |
| Flat Glass | 7677 | 386 | 16.3 | 12.2 |
| Men's Clothing | 8165 | 109 | 21.3 | 8.7 |
| Rubber Footwear | 7220 | 39 | 32.2 | -.9 |
| Cotton Weaving+ | 5520 | 537 | 7.6 | 5.2 |
| Electronic Components+ | 8495 | 421 | 10.1 | .2 |
| Shoes+ | 6744 | 426 | 11.3 | -1.9 |

+Denotes industry included in displacement study.
Negatives indicate gains.

(Information regarding Table 2 taken from Jacobson and Thomason, "Earings Loss Due To Displacement," Public Research Institute, August 1979.)

Senator QUAYLE. Thank you very much, Mr. Droitsch.

Let me start the questions I asked Mr. Dederick that he deferred to the Department of Labor and to you.

What statistics do we have to identify jobs for which we can begin to retrain our autoworkers most effectively?

Mr. DROITSCH. The Department of Labor, through the Bureau of Labor Statistics, has a service that seeks to look at long-term trends in employment. These trends are published in the Occupational Outlook Handbook each year.

But having said that and having examined these projections from an economic point of view, I will reiterate what Mr. Dederick says, that is, that it is extremely difficult under the best of circumstances to identify new and emerging areas of employment growth with a great deal of precision. The techniques just simply are not there.

I point out that in the case of the Downriver project. This kind of aggregate data—U.S. labor market type information—was not used, and great effort was made at identifying local labor market conditions. I would expect that is one of the lessons of the case in Michigan which required local data rather than national average data.

Senator QUAYLE. What skills nationwide are in demand right now?

Mr. DROITSCH. Pardon me?

Senator QUAYLE. What skills nationwide are in demand? We hear of skill shortages and skill surpluses. Where are some of the skill shortages?

Mr. DROITSCH. That is again a rather complicated question to answer.

We know that from newspaper ads there is a demand for engineers. But in terms of quantifying that information with various occupations across the board the Bureau of Labor Statistics has found it historically incredibly difficult because what you need to do is to rely upon national trends. Specifically, you need to forecast, and that is a task that is extremely difficult, as you know, from the complexity of just making projections of the overall economy, let alone projections of which occupations are growing and where. So while the Bureau does prepare the Occupational Outlook Handbook the precision of those estimates, I think, are limited for broad usage.

Senator QUAYLE. That Bureau of Labor Statistics handbook, what I want is an analysis of it, what kinds of skills should we be discussing? Do we know what kinds of skills that autoworkers have the greatest potential to fill? Do we have any information on that? Is there particular jobs that we find many autoworkers going into?

Mr. DROITSCH. No, sir, we do not have a specific study or evaluation of that. But, as a general matter, the skills of a person working in an auto plant generally are transferable in many areas. We know that as a general fact.

A maintenance person, machinist, or operator in one industry, generally can be used as a maintenance person, machinist, or operator in another industry. In other words, occupations are not auto industry specific. And in that sense we know that generally to be

true, but exactly how that occurs and where the openings are, we do not know.

Senator QUAYLE. If I wanted to get the best advice, best response statistically and analytically on what we can do to train autoworkers most effectively, what jobs should we be discussing? What skills are in greatest demand? Where would I go? Where would I go to get that information? I have been asking that question continually and I have not been able to get an answer, and I do not think you are going to be able to supply it to me either. Where would I go? Where would I go to get it?

Mr. DROITSCH. Not the Department of Labor.

Let me ask Ray Uhalde, who is familiar with the Downriver experience in examining the local labor market.

But I think the basic answer will involve examining local labor markets, but that is essentially an interaction between private employers and the displaced workers.

Senator QUAYLE. I want to narrow it down right to the autoworkers. Where does he go and where can I get that information where we ought to be directing him to go?

Mr. UHALDE. Mr. Chairman, I think Mr. Droitsch is accurate in saying that you cannot paint a broad-brush solution for the autoworkers.

I think the answer is at the local level, in Detroit. You have to seek out the markets in Detroit for the specific workers. I will give you an example.

When the project started in Downriver, they picked up the occupational forecast from Michigan for occupations in demand in Michigan. At the top of the list was auto assembly because, in fact, they protracted trends from 1976–77 up through 1979 and 1980, and that trend through 1978 showed that auto assembly was booming, and that was at the top of the occupational forecast. The Downriver people quickly discarded that and found that they had to engage in something almost like trench warfare—going door to door, employer to employer, forming committees, seeking out vacancies through experienced job developers, almost like account executives, going to employers to identify the skill shortages that they have. In Detroit, machine tool operators, screw machine operators, and electronics technicians happen to be skill shortages that also exist on the national level. These are occupations that are in demand nationally, and this happens to coincide with demands in the Detroit area. Technical fields within the health profession are another. Downriver staff have also identified technical fields such as waste treatment technicians within the Detroit area. But they have done this by very painstaking methods, one on one with the individual employers and employer groups within Detroit.

The national projections are not very useful for the operation of local training programs.

Senator QUAYLE. Do we have any—do you have any idea how many workers have returned to other work, other autoworkers have returned to other jobs besides the auto industry?

Mr. UHALDE. I have tentative numbers, sir, from the current population survey for March of 1981, and one way to look at it is to ask: Of those autoworkers who were unemployed sometime during the calendar year 1980, how many were employed in a different in-

dustry in March of 1981? That is not a complete answer, but from those data, that is about all you can get.

Senator QUAYLE. How many of those?

Mr. UHALDE. For the auto industry, about 8 percent. There were about 419,000 autoworkers unemployed sometime during 1980, and of those, 8 percent or 32,000 report having a job in a different industry in March of 1981.

Senator QUAYLE. Of that 8 percent, what are some of the characteristics of the new industry that they have found?

Mr. UHALDE. I have no information on the new industry. I have some information on the workers themselves, workers over 40 are slightly less likely to take a job in another industry than workers under 40.

Senator QUAYLE. If you have 8 percent, what is happening to these unemployed workers whose unemployment benefits have expired? What do they do? Go on welfare? Is that the only answer that we have? Eight percent, that is not a very large figure.

Mr. UHALDE. That is for one point in time.

Senator QUAYLE. Do we know when the unemployed autoworkers' hospital benefits have expired, how he is supporting his family?

Mr. DROITSCH. We have several studies in the past, but we do not have a continuous set of longitudinal survey of unemployed workers, be it in the auto industry or elsewhere. We do know from our previous studies that in the auto industry, under the former TAA program, that income replacement was very high if the autoworker received both trade adjustment assistance and SUB together. Indeed, sometimes his replacement of income was more than 100 percent. That with UI alone, gross income replacement was approximately 50 percent. And if you take into account tax aspects, it is about two-thirds, if I am correct. In terms of where any particular work is, we do not know that. But in terms of the average duration of unemployment, we have some data on that in the auto industry and for total manufacturing, the mean duration of a spell of unemployment was 13.8 weeks for the total nonagricultural economy. For the auto industry it was 26.1 weeks.

Senator QUAYLE. You just heard the testimony from Mr. Dederick that in general terms his expectations of mideighties is going to be 200,000 fewer workers employed directly in the auto industry, and 300,000 to 350,000 in indirect relation to the auto industry which is about 500,000, 600,000 people over a period of 3 or 4 years. And if 8 percent, if you just take that 8 percent figure of finding other employment, that is a lot of people that are not going back to work.

Now, what do you propose that we do about that? Do you have any ideas? Is the Department working on a proposal?

Mr. DROITSCH. Sir, they are examining the CETA program.

Senator QUAYLE. Good.

Mr. DROITSCH. I am not at liberty——

Senator QUAYLE. Would you think from your policy position that it would be advisable in any new CETA program, training employment program, that there should be some careful consideration given to the displaced workers such as the auto industry?

Would you answer that in the affirmative?

Mr. DROITSCH. Sir, I am not a policy person.

Senator QUAYLE. Well, you are Acting Deputy Assistant Secretary. What is your opinion on that anyway? Do you think we should?

Mr. DROITSCH. I think I will defer on that issue, that question, sir.

Senator QUAYLE. OK. I hope that we do. I know there is a strong movement here to take care of some of those problems that we have and that training the unemployed worker is going to be a problem. As the unemployment rate goes up, there does not seem to be any trim line that they are going to come down too quickly for the next two quarters. It is incumbent upon us to begin to focus on this very serious problem. And I think training unemployed has always been a pillar of any kind of government that has compassion and understanding of its people. So I would hope and would urge you and your policy people in the Department of Labor to look at this and examine it. I have communicated privately with officials in the Department of Labor, and I am sure you will be forthcoming with a good proposal, we will be forthcoming with a good proposal, and we look forward to working with you.

Mr. DROITSCH. Thank you, sir.

Senator QUAYLE. Thank you very much.

At this point I order printed all statements of those who could not attend and other pertinent material submitted for the record.

[The material referred to follows:]

# Private Sector Initiatives For Displaced Union Workers in Manufacturing: A Lesson From The Steel Sector

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"Private Sector Initiatives For Displaced Union Workers in Manufacturing: A Lesson From the Steel Sector"

Introduction

The recent worker displacement in the auto industry closely parallels the structural changes taking place in the steel sector. Older plants are no longer competitive and are being discarded or significantly downsized with new labor-saving technological improvements. The immediate costs of this transition process is falling upon the shoulders of labor at a time when the government has made an apparent shift in the extent of active support for the jobless. Special programs for displaced workers are being eliminated or cut back severely and local employment service offices are being closed overnight. As a result of these structural changes, one must search for new private sector initiatives that may be structured to fill the void in government re-employment assistance programs. One such program has been developed through the joint efforts of union and business leaders for a job search assistance program designed especially for permanently displaced workers from a Crucible Steel plant outside Pittsburgh.

The paper first describes the causes of the permanent layoff at Crucible and outlines the private sector initiative that was designed to tap community and local and state government resources in a joint union, business, and government re-employment program. A brief assessment of the success of this initiative is given and six basic steps for active union support of such private sector initiatives are outlined, which are based upon the Midland Pilot Project for the displaced steelworkers at Crucible. The union role in plant closures must be addressed in future negotiations with management in face of the inevitable decline in union membership of many of our basic industries such as steel, autos, and rubber.

Changing Labor Management Relations.

Following the surge of labor productivity in Japan and the concommitant decrease in the U.S., labor and industry leaders here are finding that their traditional adversarial relation may be detrimental to both parties' interests. Specific case studies, such as the Japanese purchase of a Zenith production plant in California, are illustrative of the potential for productivity increases from "consensus management" practices common to Japanese homeland factories.[1] It seems almost paradoxical that this symbiotic form of management was brought to Japan by an American industrial relations expert, H. Edwards Deming, whose advice was largely ignored at home. In the U.S., unlike in Japan and many European countries, "Taylorism" prevailed and set management in opposition to labor. The roles of labor and management developed out of a long history of fear and antagonism - beginning with the sweat shops at the turn of the century to the rise of strong industrial unions in the 1930's. One major effect of this adversarial posture was that it left labor with narrowly defined collective bargaining issues, namely worker compensation and work time utilization.

Today, however, the issues and relationships between management and labor are changing. "Quality of worklife" programs are now a central negotiating issue as well as a common topic of conversation on the plant floor. These programs have been endorsed by three of our largest unions (U.A.W., U.S.W.A., and C.W.A.). Over 200 U.S. companies have developed labor-management participatory teams or quality circles (QC's), with General Motors having ninety

in operation throughout their plants.

Further evidence of a change in labor-management relations has recently occurred when John Dunlop helped to form a National Labor-Management Committee of some of our nation's top labor and industrial leaders, including the President of the AFL-CIO, and the chairmen of Exxon, General Motors, General Electric, Citicorps, and DuPont. In addition, Donald Frasier (President of the UAW) has been appointed as a member of the Chrysler's Board of Directors.

On the firm level, changes in labor-management relations have occurred in select firms which are in a strong market position; however, by and large, the changes have occurred in many of our older basic industries that are experiencing severe economic pressure to survive the influx of new firms in established markets. One such clasic example has occurred in the steel sector, where new domestic minimills and foreign competitors have had a significant impact on select product lines of our older basic steel producers.

Competition and The Steel Sector.

The influx of competition in the steel industry has had a significant impact on workers as well as production processes. With the introduction of continuous casting operations and electric furnaces, steel can now be made more cheaply and with less labor intensity.[2] The impact on labor has been two-fold. On one hand, rising productivity has permitted higher earnings. Output per man-hour in steel grew by 20.2% between 1960 and 1970 and 23.0% between 1970 and 1978, while total hourly compensation increased by 48.7% and 152% over these two decades. On the other

hand, rising productivity, coupled with such large gains in compensation, reduced labor intensity in steel. Man-hours per 1,000 tons of steel fell by 57% between 1960 to 1978, or from 1.41 hours to 0.60 hours, while total employment fell by over 20%, or from 751,000 to 594,000, over this period.[3] In addition, union membership in steel decreased by 23.2 %.[4]

While competition in steel has fostered investments in new technology, it has often come at a cost of closing old, outdated plants. While one may argue that large corporations may close marginally profitable plants, most closed steel plants are those that are money losers to the parent corporation or, for that matter, for new potential buyers.[5] In a market economy, efficient resource allocation necessitates this closing or sale of facilities whose profits are negative or less than alternative uses. During the process of transition, however, external costs occur and are mostly borne by the dislocated worker and affected community and business. Quite often, the firm gives little, if any, prenotification of closing and bears little of the external closing costs.[6] To offset this inequity, various states have proposed plant closing legislation with prenotification clauses and explicit funding of external costs such as health care maintenance, foregone earnings, and lost taxes to the community.[7]

The major problem with this legislative approach is that it will only exacerbate the recent increase in the cost of labor relative to capital and, as such, will cause firms to increase the capital intensity of future production processes. In addition,

state legislation, if strong enough, may have a significant impact on plant location - especially in the older cities in the industrial "heartland" of the Great Lakes region. These areas must attract new industries if they are to survive economically and restrictive plant closing legislation may well spell their doom in the long run.

Government Assistance for Dislocated Workers.

The Federal government has also passed legislation which favors compensation to workers affected by plant closings. To date there are twenty-one Special Employee Protection programs which target assistance on dislocated workers in particular industries (eg., railroads, mass-transit and airlines) as well as in firms affected by foreign competition (eg., firms eligible for Trade Adjustment Assistance - TAA).[8.]

There are, however, two major problems with such legislation: they are inequitable and have strong work disincentives built into their assistance programs. Inequity arises in two ways. First, only those workers directly affected by legislation are covered, while those indirectly affected are excluded. Second, the eligibility criteria and benefit formulae differ significantly across programs.[9.] In reality, it is extremely difficult to separate business cycle effects from special effects covered by these legislations and it makes little difference to any dislocated worker as to the "major cause" of the plant shut-down or mass lay-off. If assistance is going to be given to dislocated workers - all eligible individuals should be covered, not just a few who have the political support of powerful legislators.

A second weakness of these programs is that most assistance is in the form of weekly benefit payments which, when coupled with regular UI and company SUB payments, act as a strong work search disincentive. One study found that each 10 % increase in weekly TAA payments results in 3.5 additional weeks of unemployment.[10]

Recent Directions for Government Assistance.

Due to the ad hoc approach of identifying eligible dislocated workers and the recent surge in weekly payments due to temporary layoffs, Congress is considering alternatives to these current programs.[11] One such alternative is the federal funding of job search assistance for dislocated workers. Over $3.5 million has been earmarked in the FY 1987 budget for the Downriver Community Conference (DCC) project in Detroit for workers affected by auto and chemical plant closings. A much smaller project in Portsmouth, Ohio has also received partial federal funding (from the Department of Labor ) for its project directed toward dislocated steelworkers from a Cyclops steel plant. These job search programs are less expensive than occupational retraining programs and show great promise for reemploying experienced workers. The programs are based upon the assumption that being a"good factory worker" is indicative of a potentially productive worker. Since new hires in manufacturing are primarily determined by the level of production, firms who are expanding must search for workers who reflect stable work patterns and who can be trained easily. Displaced experienced workers

meet these criteria and [12], as such, one has only to develop an effective labor market exchange network. The two job search programs mentioned above were developed toward this goal. They both use the group "job club" concept of CETA - WIN experimental programs developed over the last four years.[13] Small groups of unemployed individuals are taught the skill of how to look for a job and peer group support and pressure, with professional direction, have been responsible for average placement rates far in excess of control groups who did not participate in the structured programs.[14]

One major weakness of these programs, however, is that they are implemented after a plant is closed. There is an extensive literature which has found severe economic, psychological, and physical traumas associated with dislocated workers.[15] In essence, current federal government assistance treats the illness rather than the cause. All hopes of curing the cause rest upon the Administration's fiscal package, but the hope for a quick turnaround in basic industryin the "heartland" will need far more than that. In part, it will have to address the likelihood of more plant closings and mass lay-offs in older facilities regardless of the rate of aggregate economic expansion.

Midland Job Search Club.

In the midst of worker dislocation and "after-the-fact" government assistance, a labor-management committee at a Crucible Steel plant in Midland Pennsylvania ( just outside of Pittsburgh ) has initiated the steel sector's first jointly sponsored outplacement program. This pilot project was staffed and financed by the USWA, Crucible Steel, and state and local employment agencies. The first phase of the program was designed to deliver job search assistance to some 300 individuals who have been laid off from six months to a year or more. The second phase is designed to begin in the summer of 1982 and will provide these services for an additional 800 workers who will be laid-off in an attempt to reduce cost and maintain plant operation.

It is important to emphasize that the local union, working in unison with the company, was responsible for the program's early conception. This effort followed their futile attempts to obtain trigger prices for specialty steel and to obtain TAA assistance in the fall of 1980. Rather than giving up, both labor and management made a committment to deliver some type of assisance to the former employees/union members. The end result was a six month job search program operating from the Local 1212 Union Hall in Midland.

The permanent reduction in Crucible Steel's workforce at Midland may reach a total of nearly 1,000 permanent lost jobs following a peak employment of 4,500 in 1978. The reduction, brought upon by lost job orders, became permanent when the company decided to regain its competitive position by installing two new high-powered electric furnaces. This, in turn, resulted in the closing of the coke plant, blast furnaces, and top oxygen converters (TOC's). While the union did not support lost jobs, it did realize that if the new technology was not undertaken, Crucible may well have to shut-down due to the competition from both domestic and foreign producers with similar technology.

Because of its potential for defining new roles for labor-management cooperation, the Midland Job Search Club project will first be described, the lessons learned from the implementation of the program may then be used as a basis for identifying effective utilization of union efforts in other plant closings and mass lay-offs in related industries, such as autos and rubber.
This pilot project was jointly financed by CETA local Prime Sponsors (and their Private Industry Councils (PICs), the Ohio and Pennsylvania CETA Governor's Special Grants Program, the United Steelworkers of America (USWA), and the Crucible Steel Corporation of Midland, Pennsylvania.[16] The project

was staffed with only three full-time personnel with the remaining staff being composed of part-time personnel from local CETA and ES agencies, the USWA and Crucible Steel. The program was designed to combine the intensive job search training aspect of job clubs with job development activities by the employer and union—an element that is characteristic of the Canadian approach for displaced workers.[17] The program was designed to service up to 300 displaced Crucible Steel workers over a six month period for less than $60,000—of which 70% is financed by government agencies. The low cost is achieved by utilizing part-time personnel and local community facilities. The pilot project was structured to give a week of intensive classroom training followed by up to four weeks of supervised active job search in a phone center. All social service needs of the worker and his/her family were met on a referral basis through existing community social agencies via local United Way offices.

(1) Classroom Teaching Phase. The first week of the program was carried out in an unused classroom in the local Midland High School. Classroom desks have been replaced by informal lounge furniture and the school's audio-visual equipment, including video tape recorders, are available at no charge to the program. During the week, individuals, working within small groups, are taught to identify specific and general job skills and aptitudes that are transferable to alternative employers. This information is then used to identify new occupations and types of employment and to aid the participant in filling out job applications and resumes. Participants are then instructed in the art of job search—the understanding of how to look for jobs, and how to obtain job interviews. This phase is the most instructive since it is here that so little is known by the job seeker. Participants are instructed in the techniques of identifying "hidden jobs" in an unstructured market of job vacancies. As seen in Table 1 below, these jobs comprise over 60% of all private sector jobs as compared with just over 10% of jobs found through

TABLE-1

HOW AMERICANS FIND JOBS

| | | |
|---|---|---|
| STRUCTURED MARKET: (25%) | | |
| Newspaper Ads | | 14% |
| Employment Agencies: | | 11% |
| Private Firms | (6%) | |
| State Employment Service | (5%) | |
| UNSTRUCTURED MARKET: (61%) | | |
| Friends & Relatives | | 35% |
| Direct Applications | | 26% |
| OTHER: (14%) | | |
| TOTAL: | | 100% |

SOURCE: Figures taken from Current Population Survey, 1973 as cited in Robert Wegmann, "Job Search Assistance: A Review," (mimeo - July, 1979).

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private and public employment agencies.

In this phase of the job search, want ads and yellow pages of the various cities become the job seeker's bible and the phone becomes the vehicle for identifying the hidden jobs. Participants are taught how to gain direct access to individuals responsible for hiring and how to speak effectively on the phone to gain personal interviews. The final stage of the classroom exercises is made up of one-on-one video taped mock interviews between the group leader and participants. As with other phases of the classroom sessions, group interaction is encouraged among the individuals during the video tape replays. The interaction built up over the week is both supportive and critical in nature. At this last stage, job motivation is high and the worker is eager to apply the newly acquired skills toward the actual job search.

(2) Phone Canvassing Phase. For up to two to three weeks, the program participants put in a full day at the local Union Hall where local and WATS lines are located in the phone bank center. Here job-finding resources and job development personnel are available to all seeking re-employment. Regional phone directories, State Industry Directories, daily updated ES job order microfiche, and Sunday want ads from major cities provide the basic source of job vacancy information. Short group sessions are conducted each day to maintain the motivation developed in the classroom and to increase the flow of information concerning job openings among participants.

(3) Job Development. A unique element in the Midland project is the company, union and government potential for job development. Company and union officials scheduled meetings with manufacturing organizations in the region to discuss the Project and to distribute worker skill surveys to interested employers. CETA, PICs and Employment Service Employer Advisory Councils (EAC) werealso used to identify perspective job leads.

Attempts were made to elicit the help of the United Steelworkers to initiate "job fairs" among employers who are organized and to make follow-up calls to employers contacted by workers who have been asked to forward resumes or to appear for an interview. In addition, the state and regional officials of Employment Service sent skill surveys to other offices in fast growth areas. Again, if employers in these areas were interested in hiring the participants from the Midland Project, union and company representatives scheduled meetings for the firms in centralized locations in high growth areas, as well as "job fairs" in Midland.

Table 2 below summarizes the early success of the pilot project in Midland. Roughly two-thirds of those who completed the week-long workshops found jobs within a four week period of active job search at an average starting hourly wage of $8.63. Nearly 95% found jobs without having to relocate and nearly half found jobs outside of the steel sector. Average placement cost was only $291, which is extreemely cost-effective on either a government or private sector job placement basis.

In summary, the Midland project represents a new dimension in labor-management cooperation. If prior labor-management efforts, in the form of quality circles or participation teams, fail to increase productivity sufficiently and financial planning indicates that a plant must be closed or experience a mass layoff, job search clubs should be instituted for the affected workers. These clubs, along with other worker protection provisions, should be built into prior negotiations or negotiated at the time of the firm's pre-notification of workforce reduction.

Table 2

Description and Early Assessment
of Midland Pilot Project*

Program Description:

| | | |
|---|---|---|
| Number Contacted | | 89 |
| Number Enrolled | | 110 |
| Number Completed | | 99 |
| Number Placed | | 62 |
| Direct | (57) | |
| Indirect | ( 5) | |
| Number Relocated | | 5 |

Participant Description:

| | |
|---|---|
| Percent Male | 90.9 |
| Percent White | 95.6 |
| Percent Veterans | 34.3 |
| Percent Receiving Unemployment Compensation | 75.8 |
| Percent Receiving Supplemental Benefits | 55.6 |
| Average Age | 26 |

Program Assessment:

| | |
|---|---|
| Placement Rate | 62.6 |
| Average Starting Hourly Wage | $8.63 |
| Placement Rate in Steel Sector | 49.1 |
| Program Cost | $18,062 |
| Average Placement Cost | $291 |
| Average Enrollment Cost | $164 |

* These figures were calculated over the first three months of a four month operating schedule of the pilot project. Statistics were compiled by internal program personnel.

Steps Union Can Initiate.

The following six steps are suggested for effective union participation in either a pending plant closing or permanent mass layoff. At the basis of these suggestions is a committment by the union to obtain joint support from the company and other affected parties of the closing or layoff before worker dislocation occurs.[18]

1. Initiate a meeting between company and affected workers to explain the reasons for the pending closing or mass layoff.

   Many of the fears of worker sabotage, slow-downs, and absenteeism may be eliminated if the company presents an honest description of the pending workforce reduction and describes what it is willing to do for the dislocated workers. This meeting should be scheduled at least three months ( or up to six months ) prior to the final separations.

2. Form a labor-management committee to negotiate both union and management responsibilities and committments to dislocated workers.

   Potential union responsibilities include:

   (a) release time of union officers to participate in a labor-management committee, which should insure effective communication with area labor councils, district office, local employment agencies and politicians;

   (b) release time of union staff to partake in job search program by giving job counseling to members and taking an active role in job development; and

   (c) release time of union officers to work with union hierarchy in an attempt to identify organized employers experiencing expansion and new hiring, running "job fairs" for dislocated workers, and other regional and national job development activities.

   Potential aggreements that can be made with the company in negotiations include:

   (a) Staggered workforce reduction. This may permit clusters of

workers to look for reemployment without regard necessarily to strict seniority rules. In addition output reduction can be gradually achieved so that the impact of a large number of unemployed workers on the local labor market can be minimized. [19]

(b) Severance pay for all workers. Workers may take an ~~early~~ job early job search if they do not have to forego severance pay when accepting a job prior to the formal closing or mass layoff.

(c) Employee transferability rights. This can be done in cases when the plant is part of a parent corporation with other firms. Rights should include seniority and fringe benefit carry-over provisions (eg. vacation pay, sick pay, etc.).

(d) Continuation of health, hospitalization, and life insurance for a 3-6 month period following separation. The continuation period should be long enough to allow a dislocated worker to search actively and effectively, but not so long as to delay the desire to look for work.

3. Initiate a meeting with local social service representatives.

This meeting can be used to inform dislocated workers of the available community resources that they may use during the period of job search. Especially important is financial counseling that describes how workers may obtain a postponement of the interest portion of their home mortgage and other debt payments. Social service counseling availability should also be explained.

4. Initiate meetings with local employment agencies.

Contact with local CETA Prime Sponsors may be used for occupational retraining and relocation expense possibilities. Job development contacts can also be initiated through the advisory bodies of of CETA ( the Private Industry Councils, or PIC's) and the Employment Service ( the Employer Advisory Councils, or EAC's ).

5. Urge all affected workers to be tested fully with local employment Service.

Local ES staff can be detailed to the firm or union facilities to administer the full range of occupational interest and skill tests that are given to large groups. Skill transferability studies can be done on test results which will give workers an indication of new areas of reemployment.[20] In addition, workers should list their skills and experience on the ES Insterstate Personnel Clearance (IPC) network, which gives interested employers, employee information on perspective job applicants.

6. Form a job search club organized and financed by union, company, and employment agencies in the local area.

These clubs can be initiated before the actual closing or mass layoff and can eliminate the break in earnings and employment normally characteristic of such occurances.[21] Either the classroom phase alone can be conducted prior to separation ( during release time or in the evening ) or both classroom and active job search phases can be undertaken prior to separation. The small group design can be coordinated with a staggered workforce reduction. Group participation and funding of such programs insures a full committment among all affected parties and provides the structure to combine the intensive job club concept with employer, union, and employment agency job development activities.

Conclusion.

The effect of plant closings and permanent mass layoffs can be devastating on both the worker and the local community. The argument proposed herein is to take a positive approach to such occurances and to elicit the joint support of the company, union, and relevant local parties. Plant closing and mass layoff legislation will only harm workers in the long-run. If our industrial base is to become revitalized and kept competitive with the rest of the world, labor and management must join forces to bring about gains in productivity, and if necessary effective reemployment programs for displaced workers.

Unions can play a critical role in this process. As witnessed by the Midland project, labor and management can work together to speed up the process of adjustment and ensure that individuals who want to work are given the necessary skills and resources to find acceptable alternative employment. First, unions must redefine "job security" by widening the concept from a departmental, plant or even firm level to a regional or national union membership basis. Unions should take an active role in listing and matching new vacancies with dislocated members. Second, unions should develop a firm basis of communication with employers in the formation of labor-management committees. These committees can provide a foundation for identifying areas of responsibility and mutual gain. Dislocated workers who do not find acceptable jobs in other organized plants should be given full union support in the implementation and operation of outplacement programs similar to that instituted in the Crucible Steel plant in Midland, Pennsylvania. It is time to recognize that unions can and must discriminate among areas of mutual concern with employers. While salary negotiations and grievance procedures may often reflect traditional labor-management adversarial roles, other areas such as quality of worklife and

worker outplacement provide a basis for mutual cooperation and consensus. The entire structure of our basic industries is beginning to change significantly and unions must also change to take a leading role in the protection of its membership.

FOOTNOTES

1. For a description of this case study, see: Business Week, May 11,1981.

2. If one measures labor intensity by the percentage of total costs attributed to labor, steel ranks second to the apparel industry.

3. These figures are derived from The Annual Report of the American Iron and Steel Institute, 1968, 1970, and 1978 editions.

4. This figure was computed from internal USWA record of union membership.

5. Youngstown, Ohio is a classic case of plant closings due to both negative and insufficient ( but positive ) profits. For a discussion of why the plants closed and why the community could not buy select facilities, see: John Logue, "How Big Steel Scrapped a Community," The Progressive, August, 1980, pp. 16-28.
PP.16-28.

6. The period of pre-notification varies widely. At one extreme, Detroit Press in 1980 notified their employees by telegraph over the week-end prior to closing on Monday morning. At the other extreme, the Brown and Williamson Tobacco Corporation provided its employees with an eithteen month pre-notification and a liberal package of closure benefits, including: six month to one year severance pay, early retirement, staggered workforce reduction over a three year period, transferability rights to a new facility complete with relocation assistance, and finally company sponsored job search assistance. This case study is described in testimony before the U.S. Senate Committee on Labor and Human Resources, September 17, 1980 by Carroll H. Teague.

7. Two states, Maine and Oregon , have passed mild versions of plant closing legislation ( basically a pre-notification clause ) while six others have proposed stronger legislation. One of the most recent proposals is Senate Bill 727 in Pennsylvania which calls for a weeks pay for each year of service, payment of all health and life insurance for one year, relocation allowances, and a 15% tax on corporate gross wage bill which would be earmarked for a trustfund used to make payments to affected workers.

8.

These programs are described in William R. Bowman, " A National Program For Permanently Displaced Workers," (Mimeo), December, 1980.

9.

Under TAA legislation workers in auto production plants were eligible for assistance, but major parts suppliers were not. Benefits vary greatly across programs as evidenced by the Conrail Act provision that gives full wage replacement to long-service (ie. three years of service or more ) employees until retirement , as compared wtih TAA legislation that brings eligible individuals' public and private unemployment compensation up to 80% of their prior wage for a one year period.

10.

See George Neumann, "The Direct Labor Market Effects of the TAA Program," The Impact of International Trade and Investment on Unemployment, U.S. Department of Labor, 1978, pp.107-126.

11.

The failure to direct assistance to permanently dislocated workers is most evident under TAA legislation. The auto industry has generally become eligible for assistance eventhough workers are on "call-back" status. This has been a primary force behind fiscal year 1980's doubling of program costs as compared with the prior spending over the previous ten years.

12.

Two points may be noted in regard to this approach. First, the current labor market exchange system as existing in the U.S. Employment Service accounts for only 5% of all jobs found. Mariam Johnson, in a classic work entitled Counterpoint, found that federal budget constraints and mandates were chiefly responsible for the failure of USES to act as an effective labor market broker. This was especially evident in the 1960's when the agency, with a ceiling on staffing, serviced more clients, administered the Food Stamp program, and was told to focus employment efforts on the "disadvantaged," which broke the nexus between many employers and the ES system.

Second, it may be argued that occupational training of experienced workers does not increase the number of training slots, but only affects the distribution when the training is subsidized by the government. To the extent that job search training can have a significant effect on participants sucessfully acquiring jobs in the private sector, it appears that these programs can also result in on-the-job training, but in this case financed entirely in the private sector. It is for this reason that one can say that job search clubs may prove to be more cost-effective than subsidized OJT programs.

13.

Two of the best sources which describe the job club concept may be found in: Robert Wegmann, "Job-Search Assistance: A Review," (mimeo), July, 1979; and Bart Kennedy, Self-Directed Job Search: An Introduction, Employment and Training Administration, U.S. Department of Labor, 1980. A brief description of an application of the job club concept for dislocated workers is given in the following section.

14.

In one of the earliest structured job clubs in the WIN-CETA program, Dr. N. Azrin ran five demonstration sites and reported that 67% of all participants found jobs lasting 30 days or more as compared with only 33% of a control group. (See "The Job-Finding Club as a Method for Obtaining Employment for Welfare-Eligible Clients," Final Report to the U.S. Department of Labor, July, 1978, page 38.) In another study of one of the most successful CETA-WIN job clubs, the Cambridge Factory in Massachusetts, researchers reported that 64% of all program participants found jobs as compared with only 35% of all other Cambridge CETA programs. (See "The Job Factory: Statistical Summary - September, 1977.)

15. See for example: Louis A. Ferman and Jeanne P. Gordus, Mental Health and the Economy, W.E. Upjohn Institutefor Employment REsearch, 1979.

16.

Midland is located just six miles inside the Pennsylvania border near Ohio and West Virginia. Approximately half of the workers live in Pennsylvania and and majority of the remaining live in Ohio. It may also be noted that both the state CETA and Employment Service (ES) agencies are in different organizational regions.

17.

In Canada, a joint employer-government outplacement agency, The Canada Manpower Consultative Service, has been in existence since 1963. In two recent cases, an active employer-government job development program was responsible for a 94% placement rate with laidoff workers from a Ford plant and a 90% placement rate for those affected by the closing of Disston Canada Inc., a metal fabricator.

18. Some of these suggestions have been made by others and are not to be construed as original to the author. See for example: A Guide For Communities Facing Major Layoffs or Plant Shutdowns, Employment and Training Administration, U.S. Department of Labor, 1980.

19.

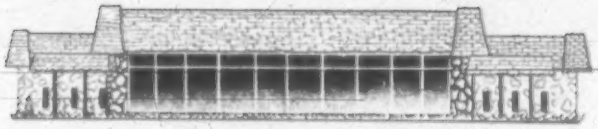
It may be argued that older workers will be at a disadvantage in local labor markets once the younger workers have left and taken jobs prior to the final closing or mass layoff.

20.

It is recommended that the workers are given the General Aptitude Battery Test (GATB) andOccupational Analysis Pattern (OAP) . Professional job counselors can then perform skill transferability studies using the U. S. Department of Labor's Dictionary of Occupational Titles (DOT) and the Guide to Occupational Analysis (GAO).

21.

These sharp and lengthy breaks in earnings and employment are measured and explained in : Louis Jacobson and Janet Thompson, "Earnings Loss Due to Displacement," The Public Research Institute, August, 1979; and Walter Corson,et.al., Final Report of TAA Recipients, Mathematica Policy Research inc., December, 1979.



MIKE PUNG MOTOR SALES INC.

7440 ALGER ROAD, ALMA, MICHIGAN 48801

PHONE [517] 463-2161

January 14, 1982

Robert Guttman
4230 Dirkson Senate Office Building
Washington, D.C. 20510

Dear Committe Members:

I understand you recently concluded hearings with respect to laid off auto workers and other employment problems. The problem with the testimony that I have heard is that it always comes from four sources- industry leaders, union officials, government officials or industry analysts. I would think that it would behoove everyone in the future to get testimony from the market-place as this is where the answers can be readily found. The problem with the car business is our cars are very overpriced. The greed of the union and the industry share this burden and you can throw most of the other excuses out the window. Government contributions to the problem have been twofold. Overregualtion has been a problem; however, the biggest government contribution to the depressed automobile sales is the liberal give-away programs such as TRA, food stamps and all the other programs which take away a persons incentive to work for a fair wage and to do a quality job of it.

The best way to help our industry is to cut government spending. Remember, the union and the industry got themselves where they are and they alone can get themselves out of the problem. Everybody that says that the auto business can never be the same again is an idiot. The American people will buy cars in volume in excess of those enjoyed several years ago when two things happen - the price becomes fair and the quality better. You now may be thinking that I am nuts and that the interest rates and the recession are the big cause for depressed car sales. But I am telling you we can sell automobiles and turn the recession around as soon as the union and the industry face the problem fairly.

I would be most happy to pay my expenses to Washington D.C. at anytime to explain in detail the problems in the market-place. I have two automobile dealerships and have been in the business for 20 years. I have also predicted for the last 8 years what we have had for the last 30 months. Please include this letter in the hearing records.

Sincerely,

M. W. Pung

cc: Senator Quayle

Senator QUAYLE. That concludes the 2 days of hearings, and the committee stands adjourned.

[Whereupon, at 11:22 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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